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AND THE UNIVERSITY OF NORTH CAROLINA

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Twenty-Seventh President of the Southern Economic Association, 1955–1956

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THE AMERICAN BUSINESSMAN IN THE AMERICAN NOVEL*

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University of Georgia

I

Since World War II it has become increasingly evident that businessmen in this country are both preoccupied with and annoyed by what they clearly feel is the "bad press" they have long been receiving at the hands of American novelists. Repeated editorial references to this matter sufficiently attest to the preoccupation; the annoyance is registered in the hint of bitterness so often characteristic of the language used in these references. Indeed, so pronounced has this pattern become that Max Lerner, in perhaps the most definitive treatise on American society since de Tocqueville, devotes several pages to comments about this problem.[1]

But precisely because it is primarily conservative tempers which seem to be inflamed, it is not easy to know whether or not these complaints against our literary tradition are to be taken seriously. Put differently, although the complainants assure us that the businessman wants only his due, it is difficult to shake off an uneasy feeling that it is mercy rather than justice which is so wistfully desired.

Moreover, this uneasiness is accentuated when it develops that the research work supporting prevailing opinion is exceedingly limited. Nor does this mean merely that this problem has been little studied. In addition, the material that has been published in this field leaves much to be desired from the standpoint of research design.

For example, the principal piece of work of this kind was published in *Fortune* in November, 1948.[2] In reaching the conclusion that American novelists are still treating the businessman as a villain, the author documents his position by citing 42 novels written between 1884 and 1948. Unavoidably the question must be asked if a bibliography of this scope, averaging substantially less than one item for each year of the period covered, is adequately representative of the hundreds upon hundreds of American novels written since William Dean Howells published the first edition of *The Rise of Silas Lapham*.

Of course, this question can not be answered out of hand. Obviously some selectivity must be employed, if only because the entire universe of American novels written during the period under review could probably not be assembled.

* Presidential address delivered at the Twenty-Eighth Annual Conference of the Southern Economic Association at Atlanta, Georgia on November 21, 1958.

[1] Max Lerner, *America As A Civilization* (New York: Simon and Schuster, 1957), pp. 788-97.

[2] John Chamberlain, "The Businessman in Fiction," *Fortune*, November 1948, p. 134.

And even if this were possible this issue could not be resolved in terms of number of bibliographical items alone, for qualitative rather than quantitative conclusions are the end in view. Nevertheless, though statistical probability can not be utilized in coping with the fact that the material used is not coincident with the universe, the question of data adequacy remains—and must be dealt with against the background of the way the data used were selected. Unfortunately, however, Mr. Chamberlain leaves us almost completely in the dark on this point. There is in his article no explanation of why the particular novels he used rather than some other group were chosen.

And our doubts on this score can only deepen when we read an article on much the same topic which appeared in the *Harvard Business Review* in 1956.[3] Here a professor of literature at Harvard University undertakes, among other things, to challenge Mr. Chamberlain's most basic finding. Specifically, Professor Lynn decided that contemporary novels are not *still* treating the businessman as a villain; by now they are rather broadly "sympathetic of the aims and problems of the businessman."

In this article, too, there are no criteria explaining why the novels listed (in this case numbering 36) were selected. But by far the most interesting, as well as the most provoking, fact about Professor Lynn's bibliography is its lack of congruence with Mr. Chamberlain's. Of the 42 novels referred to by Chamberlain Professor Lynn lists only 13, and of the 35 different authors mentioned by Chamberlain only 11 are referred to by Lynn—and in the case of two of these, Jack London and John Steinbeck, the work cited is not the same. Thus in two articles covering much of the same ground the majority of bibliographical items were included in one compilation but not the other. And one author is endeavoring with the aid of evidence taken from one group of novels to invalidate the primary conclusion reached by another author whose documentation comes from quite different sources.

Now it must be added in fairness that this situation is not quite as confused as these observations suggest. Some of this lack of congruence stems from an implicit though unstated selection principle used by both men—the factor of recency. Thus in Chamberlain's bibliography one half of the items listed bear a copyright date between the years 1943 and 1948 inclusive, while Lynn's list contains an equally high proportion of items published in the six-year period prior to the appearance of his article. In short, 18 of the novels and an equal number of the authors appearing on Lynn's list but not on Chamberlain's represent items which were not published until after the Chamberlain study was already in print.

However, if this is an extenuating consideration, it nevertheless does not necessitate a major retraction. It is sufficient evidence of the state of research in this field that the reader must find all this out for himself (because Chamberlain invariably and Lynn typically omits publication dates for the novels referred to), that even when items published since 1948 are excluded it remains true that Lynn lists only 13 of the 42 novels cited by Chamberlain, and that

[3] Kenneth S. Lynn, "Authors in Search of the Businessman," *Harvard Business Review*, September-October 1956, p. 116.

the material on the basis of which Lynn accuses Chamberlain of seriously "misreading" the attitude of novelists toward businessmen in the postdepression era includes only 4 of the 23 post-depression novels referred to by Chamberlain, while embracing 18 novels with a copyright date later than the Chamberlain article.

II

But all of this deals only with the negative dimension of the selection problem. And however justified the conviction that prior research has not grappled definitively with this problem, such a conviction does not of itself even suggest how this grappling might most effectively be done.

Perhaps a beginning can be made in the direction of a more positive approach by commenting upon a second selection principle obviously implicit in both the Chamberlain and Lynn investigations. A prerequisite to inclusion for any novel was clearly reference therein to one or more businessmen. Moreover, this seems at first glance to be a fully appropriate criterion. Certainly an analysis of the treatment of businessmen in novels would have to focus in some sense upon businessman characters in novels. But when this requirement is examined more critically it is at once evident that it does not really dissolve any difficulties.

For one thing, business is such a pervasive part of American life that it is not easy to write a novel in which there are no references to businessmen—though these may be limited to relationships between one or more characters and the proprietor of the corner drug store. In other words, this is just barely a selective principle at all, leaving the universe to be studied almost as large as it was before any selecting was done.

In the second place, this principle does not distinguish between those novels in which the plot revolves almost exclusively around a businessman figure and those in which some businessman is only an indistinct character in the background. Thus in the bibliographies already mentioned the variance extends all the way from Frank Cowperwood in Theodore Dreiser's *The Titan* who all but overflows this volume, to Charlie Hoyt's father in Norman Mailer's *The Naked and the Dead* whose importance to this story rests almost wholly on the fact that he and his wealth have reared a very badly spoiled young man. While it is true that a novelist can and might legitimately choose to create an effect by referring to characters not fully developed, surely it would be methodologically defensible to rely much more heavily on the effects created by the use of characters more completely portrayed.

Of course both of these difficulties could be fairly satisfactorily met. On the one hand, the universe could be delimited by concentrating on those novels which were most popular when first published,[4] or those the perspective of history has conceded to possess superior artistic merit. And on the other hand, a further delimitation could be achieved by rejecting novels in which businessman characters are not developed in some detail. But so simple a solution to this problem is all but ruled out by a far more decisive objection to the princi-

[4] But note below the methodological difficulty created by using popularity as a principle of selection.

ple of selecting only novels in which one or more businessmen figure prominently.

What is involved in such a procedure, and the reason it is so objectionable, can be succinctly stated by observing that it has much in common with the carrying out of an elaborate experiment in which no control situation is devised. More concretely, this approach is the social science equivalent of a study of the effects of rabies on dogs in which only dogs known to have rabies are examined. Who would think of drawing conclusions about this matter without comparing diseased with normal animals? By the same token the attitude of a novelist toward businessmen as revealed in his novels can only be understood when compared with the same novelist's attitude toward the other materials he draws upon—which may be most clearly portrayed in novels in which businessmen play virtually no part.

To put this proposition in more concrete terms, surely it is reasonable to assert that the portraiture of one or more businessmen as "villainous" by an author takes on an entirely different set of implications if it develops that this same author places dentists, engineers, carpenters, and school teachers in the same category. And the full significance of this consideration is particularly well expressed by George Bernard Shaw in *Pygmalion* when he has Higgins say to the little flower girl he has transformed into a lady and who has then fallen in love with him only to be crushed by his failure to reciprocate, "The question is not whether I treat you rudely, but whether you have ever heard me treat anyone else better."[5]

This dimension of novel analysis can be put in a more fundamental context, too. The way a novelist deals with any particular segment of his material derives from his philosophy of life, which is what in the final analysis he is really endeavoring to get across. In other words, not until one penetrates beyond the segment he is especially interested in to the underlying philosophy which is its reason for being can he really see the meaning intended in the handling of the segment.

III

Considerations such as these suggest that to a considerable extent selectivity might best center around novelists rather than novels. They do not, however, suggest how to approach this task, how to decide which novelists ought to be included. And this is clearly the next important decision to be made.

To state what is involved here more pointedly, and at the same time to open up this issue at its core, let us pass in review two summary statements about the novel as an art form—each by an American master of that art. Said Henry James in an early review:

> When once a work of fiction may be classed as a novel, its foremost claim to merit, and indeed the measure of its merit, is its *truth*—its truth to something, however questionable that thing may be in point of morals or of taste.[6]

[5] Act V.

[6] Quoted in F. W. Dupee, *Henry James* (New York: William Sloane Associates, 1951), p. 167.

And as Stephen Crane put it in a letter to a friend:

I understand that a man is born into the world with his own pair of eyes and he is not at all responsible for his vision—he is merely responsible for his quality of personal honesty. To keep close to this personal honesty is my supreme ambition. There is a sublime egotism in talking about honesty. I, however, do not say that I am honest. I merely say that I am as nearly honest as a weak mental machinery will allow.[7]

Now suppose we have in front of us two novels. One is by a member of the fraternity for which Henry James and Stephen Crane have set forth the qualifications for membership, a man who has not only accepted the obligation to be truthful but who has in addition a relatively robust mental machinery. The other is by a writer who does not meet these standards—a man who has either taken the oath with tongue in cheek, or who has a substantially weaker intellectual equipment. In a study of the American novel revolving around essentially ideological questions, is it appropriate to ask the same questions about the second of these two novels as about the first? Or if the same questions are asked of both, is it meaningful to interpret the answers as though both authors were governed by the same underlying principles?

Though the answers to these queries are almost obvious, the point at issue can be made more decisive by one or two further observations. It is, to begin with, a well understood fact that propagandists (and nothing invidious is meant by the use of this term) utilize whatever media will suit their purposes. Some write philosophical tracts, some testify before Congressional Committees, some embody their ideas in poetry, some use the United Nations as a sounding board, some devote their energies to the writing of music, some make speeches to civic clubs, Parent-Teacher Association groups, and the League of Women Voters. And some write novels. But clearly it does not follow that because the efforts of some propagandists are turned in this latter direction these individuals must be placed side by side with William Faulkner and Robert Penn Warren in a research study built around the American novel.

And if the propaganda novelist submerges the obligation to be truthful beneath a quite different pattern of motivations, so too does another group of writers. But whereas the purpose of the propagandist is to change the reader's mind, it is the stock in trade of the popular author to accept that mind as it is. Whatever prejudices exist there, whatever yearnings lurk half hidden just under the surface of consciousness, whatever fears are built into the structure of the typical reader's personality—these the writer who would be popular must assiduously feed. And because he is thus committed he is no more qualified to be a member of the James-Crane club than is the propagandist.

A prime consequence of these differences in motivation for a study such as this can be simply stated. One of the questions almost invariably asked about the treatment of the businessman in the novel is, is it true to life. Thus Mr. Chamberlain repeatedly returns to this theme. But while this is a perfectly proper question to ask about novels by writers who have accepted the obligation

[7] Quoted in John Berryman, *Stephen Crane* (New York: William Sloane Associates, 1950), p. 4.

to be truthful, it makes only nonsense when directed at novels by either propagandist or popular authors. In other words, the American novel is from this standpoint a heterogeneous collection of writings in which at least three widely varying types of images of the capitalist can confidently be expected to emerge. One will be the businessman as the novelist sees him. A second will be the businessman as the novelist wants the reader to see him. And the third will be the businessman as the novelist thinks the reader does see him.

Keeping this idea of three images in mind, note what strange results can creep into analysis if these distinctions are not recognized. It has already been observed that the Chamberlain bibliography is heavily weighted with recent volumes. By limiting coverage prior to 1942 to 18 items this study eliminated for that period virtually all novels by obscure figures. On the other hand, in listing 24 volumes published between 1942 and 1948, it similarly excluded virtually all novels by writers who will live in the public mind. The consequence is that in an investigation designed primarily to trace the history of the image of the businessman as portrayed by the American novelist, attention is first focused on the realist image[8] and then abruptly (and surely unconsciously) shifted to the popular image—although if Mr. Chamberlain's further conclusion that the novelists he read are doctrinaire is correct, this latter image is propagandist rather than popular.

Analysis of Professor Lynn's bibliography reveals an identical shift in emphasis. A high proportion of the novels listed that were published prior to 1940 were written by novelists whose names are familiar to most college graduates, while a majority of those listed that have been published since 1940 are by authors the typical educated man or woman has never heard of. Only one difference between the two bibliographies stands out from this standpoint. Lynn's listing runs more toward the purely entertainment type of novel than does Chamberlain's. The most noteworthy cases in point here are two novels by Edward Streeter—*Mr. Hobbs' Vacation* and *Father of the Bride*; the only justification for the inclusion of these volumes as businessman novels is the fact that the man whose vacation adventures are recounted in the one and who went through the ordeal of getting his daughter married off in the other is a businessman. But this difference of course only highlights from another vantage point the importance of giving due regard to methodological implications in the selection of the materials to be studied.

Clearly the existence of several alternative points of view makes it imperative that a student of this subject declare at the outset which of the three images he is looking for, and then select novels very carefully with this objective in mind. And while there is no inherent reason why any one of them rather than either of the others ought to be the center of investigation, the image to be examined in these pages is the first—the businessman as the novelist sees him. Precisely be-

[8] The term realist as used here is not intended in any technical sense. Only a broad, layman's understanding of this term is needed—that is, realist as opposed to romantic on the one hand and idealist on the other. In fact, it will suffice to think still more broadly and simply in terms of the main stream of American novel writing since Howells and Twain.

cause Mr. Chamberlain does refer again and again to the question of truth, it seemed most urgent to determine how the businessman has been portrayed by novelists whose first concern is honest presentation of the world around them.

In accordance with this decision, analysis was restricted to novelists adjudged by critics to have a secure claim to a place in American realist history. Nor does this mean the elimination of all but a very small and hence very elite group of authors. Some 30 names are included in this list,[9] and therefore a number of novelists conceded to be second- and third-raters. But though coverage was thus extended to give greater breadth and hence reliability to the conclusions reached, the procedure was nevertheless to work from the top of the hierarchy down rather than choosing either novels or novelists at random. Then, having selected the writers whose novels were to be investigated, in order to avoid the fallacy of examining only the dogs known to have rabies, this bibliography was further extended to encompass all of the novels published by each one.

IV

These, then, were the principal methodological considerations which determined the structure of this study. However, to make certain that there is no misunderstanding of what was done, and in the process to point out a few further implications of the procedure followed, several additional comments can also appropriately be made.

In the first place, it is not to be inferred that all American novelists excluded from this list were thought to be beneath notice from the standpoint of literary criticism. On the contrary, it must be emphasized that the Henry James-Stephen Crane principles have not always dominated American novel writing, and that even since realism became the primary pattern for such writing there have been novelists of great capacity who have insisted that realist fiction is either a low form of art or a contradiction in terms.[10] In the first, the prerealist category, would be placed such men as James Fennimore Cooper and Nathaniel Hawthorne, and in the second men like Ben Hecht and James Branch Cabell. All of these writers, and others who might be mentioned, were admittedly high quality novelists—excluded solely because a study of romantic and/or idealist fiction would not contribute to an understanding of the businessman as the novelist sees him.

Nor is it, in the second place, to be supposed that this list includes all of the realist novelists America has produced, or that every paragraph written by these novelists is devoid of both propaganda and popularization, or even that novels which are propagandist or popular in their orientation are wholly lacking

[9] Sherwood Anderson, Erskine Caldwell, Willa Cather, James Gould Cozzens, Stephen Crane, John Dos Passos, Theodore Dreiser, Edward Eggleston, James Farrell, William Faulkner, F. Scott Fitzgerald, Mary Wilkins Freeman, Henry Blake Fuller, Ellen Glasgow, Ernest Hemingway, Robert Herrick, William Dean Howells, Henry James, Jack London, Sinclair Lewis, J. P. Marquand, S. Weir Mitchell, Frank Norris, Upton Sinclair, John Steinbeck, Booth Tarkington, Mark Twain, Robert Penn Warren, Edith Wharton, Thomas Wolfe.

[10] See Regis Michaud, *The American Novel Today* (Boston: Little, Brown, and Company, 1928), pp. 205 ff.

in realism. Stated the other way around, assuredly many fine realist novels have been excluded from this bibliography; by the same token realism is to be thought of as an ideal novelists strive to attain rather than one which is ever consistently achieved; and it is freely conceded that much realism can be found in propagandist and popular novels. In short, all that is meant to be implied by this selection—though this is, of course, of the utmost importance from the standpoint of methodology—is that this group of writers is as representative of realist novelists in America as any group which might be chosen.

In the third place, there are several "hidden dividends" to be derived from the way the novels studied here were selected. It is, thus, of some advantage for research purposes that the period during which the realist tradition has dominated American novel writing coincides exactly with the era in American economic history which gives the question at issue here most of its significance—that is, the period since big business came of age. It is likewise helpful that the principal criteria used in selecting novels, in addition to its other merits, contributed greatly to the objectivity with which this choosing was done. Here the important point to note is that for all practical purposes the choosing of authors was done by outsiders (literary critics) who had no interest as such in this research project, this fact minimizing the bias that any researcher would be apt to bring to a study of this kind. And it is worth mentioning, too, that the "sampling technique" used provides a "sample" with a qualitative dimension which is most appropriate for an investigation that is inherently qualitative in nature. Thus by making certain that all of America's really first-rate realist novelists were included, by excluding only writers of lesser stature, it was possible to develop a "sample" which is not only quantitatively representative of the universe but which is also from the standpoint of research design qualitatively superior to any basically different "sample" that could be taken.

But, in the fourth place, if the procedure followed has its advantages, it has also one significant shortcoming. The procedure of selecting novelists in the first instance rather than novels, in order to bring to bear the entire pattern of an author's writing on his or her handling of businessmen, rather demands the choosing of writers who have published a number of novels. Similarly allowing literary historians to make the primary value judgments involved demands the passage of sufficient time to determine what the verdict of history is to be. Both of these considerations limit the usefulness of the procedure followed in analyzing recent novels for the purpose at hand. It will be observed in this connection that the most recent novelist included in the above list, from the standpoint of the publication date of his first novel, is a man (Robert Penn Warren) who began his novel-writing career in the late '30's. Because of this limitation of the data used the time period covered by this study must be considered as extending only to approximately World War II.

And finally, the methodology of this study further explains and justifies the decision reached earlier to place greatest reliance in the drawing of conclusions on the total effect of an author's treatment of businessman characters—rather than making inferences from bits and pieces which might easily point in a to-

tally misleading direction. More specifically there are two important reasons for fearing that these bits and pieces would more often than not be misinterpreted.

For one it is well understood that in a complex, division-of-labor society a certain amount of class snobbery is almost bound to develop. Furthermore, a realist novel about that society might very appropriately reflect that snobbery. Unless, however, the greatest care is exercised (and it is by no means certain just what precautions would need to be taken here) attitudes properly attributable to a character in a novel could be attributed to the author instead. Moreover intellectuals, and those who write our novels are not exceptions to this proposition, are perhaps especially apt to feel more highly placed than mere men of business. And since it can not be taken for granted that every sentence in a realist novel is equally objective, it is easily possible for an author's own class bias to intrude from time to time. But when judgments about realist novelists' representation of a class type are based primarily on fairly full characterizations rather than more or less isolated remarks, it is surely reasonable to suppose that what is reflected is the author's most objective self. Because the procedure followed in this study makes an abundance of material available, there is obviously no reason to risk either of these pitfalls.

V

A basic methodology having been settled upon, the next step was to develop a framework for the study itself. To what questions should answers be sought? What aspects of the American novelists' treatment of American businessmen are most worth studying?

Of course the most general question for which an answer must be found is: How is the businessman portrayed in the American novel? But this query is almost too general to be helpful. The problem therefore was to break it down into a limited number of more manageable components.

A way of doing this was readily arrived at. Almost immediately it seemed evident that, though the Chamberlain-Lynn findings can not be accepted at face value, they could nevertheless serve as hypotheses to be tested. Because the Chamberlain study especially both touched off and documented so much discussion of this issue, it seemed most appropriate to ask if the attitudes expressed in the novels he studied were also characteristic of our better realist novels.

Mr. Chamberlain's main conclusion is forthrightly stated in a sort of subtitle given his article either by him or by the publisher. There it is asserted that the American novelist has consistently regarded the businessman as a "villainous creature." In the body of the article, however, he restates this complaint, subdividing it into five subordinate propositions. Most fundamentally he maintains that the portrayal of businessmen by this country's novelists displays "a distilled malevolence, a cold and frightening spite." This orientation in turn he suggests has roots in "two alien traditions that are implacably hostile to 'trade' and the 'bourgeois.' " One of these is "bound up with the aristocrats' point of view." The other is "literary socialism." From this latter accusation Mr. Cham-

berlain derives still another. Businessmen in fiction are not drawn "from living examples but from a dry and doctrinaire attitude." And finally, this dry and doctrinaire attitude has had the result that as businessmen and their organizations have become less antisocial the fictional businessman has not correspondingly changed his character.

Professor Lynn's findings can not be so summarily stated because his study, after it was launched, turned off at right angles to that of his predecessor. Thus he is content to leave unchallenged the Chamberlain thesis that historically businessmen have been given a bad press by American fiction writers, though he does vigorously deny that this is still the case.

At this point, however, Professor Lynn's study parts company with Mr. Chamberlain's—because findings in this area became of much less importance to him than those in an entirely different dimension of the subject at hand. As he himself states the major problem which came to preoccupy him:

> For in comparison to the question of whether American authors have ever succeeded in writing about business as such (or whether, actually, they have not constantly sought ways to avoid the subject), the issue of how much they like businessmen fades into relative insignificance.

With respect to this problem Professor Lynn concluded that American novelists have in fact never written about the businessman as businessman. They have instead introduced characters who would have to be classified professionally as businessmen, only to escort them away from the office as quickly as possible in order to concentrate on their behavior and interactions in the world of manners. This is the justification for the title Professor Lynn gave his piece—"Authors in Search of the Businessman"; and his primary complaint against novelists from this standpoint is that they have failed to find what they were looking for.

The question at issue between Lynn and Chamberlain, whether or not the American novelist has ceased to treat the businessman as a "poor relation" is outside the scope of this investigation. The methodology followed discriminates too heavily against the recent past to permit the drawing of valid conclusions about the contemporary period. On the other hand, the assertion that historically this has been the case will be one of the most important of the hypotheses to be tested here. However, Lynn adds nothing to Chamberlain here and therefore Lynn's study does not as such present this hypothesis to us. What Professor Lynn does contribute as an hypothesis to be examined is the proposition that novelists have somehow failed in their obligation to interpret American life to the American people by making the businessman from the standpoint of their art "the man nobody knows."

To summarize, the Chamberlain-Lynn studies conclude that:

1. At least until very recent times the businessman has consistently been portrayed in the American novel as a villain.

2. The American novelist in thus portraying the businessman has revealed himself to be:

a. Frighteningly malevolent;

b. Snobbishly aristocratic;
c. Openly socialistic;
d. Painfully unrealistic; and
e. Overwhelmingly nonvocational in orientation.

The purpose of this study is to determine how accurately these propositions describe the businessman characterizations of America's ranking realist novelists.

VI

Admittedly these hypotheses are so overlapping that to deal with one is in a sense to deal with all. And this means in turn that in the same sense none have been definitively discussed until all have been analyzed. Nonetheless there is another sense in which each of these propositions stands as a unique and separate dimension of the problem at hand. It is on the basis of this latter interpretation that we will proceed here, and because there is no particular virtue in taking up the various items in the order listed we will begin with the "malevolence" thesis.

Now the charge that the American novelist has revealed himself to be frighteningly malevolent in dealing with businessman characters might be interpreted to mean that whenever such a character appears in a novel the author goes out of his way to depict him in the most unfavorable light possible. Or it might be construed to mean that these authors go out of their way to bring into their novels businessman characters who they, their creators, can then portray in a highly unfavorable light. Again the approach here will be to choose the latter alternative—because the other possibility properly belongs with the discussion later of the "villain" hypothesis.

A first indication of what the record shows on this point is the fact that the Lynn-Chamberlain bibliographies, where each item listed was selected in part because one or more businessman characters was developed therein, 16 novelists included in this study and 28 of their novels were referred to. In all, however, these 16 authors have published to date some 300 novels. In other words, although these writers have published an average of more than 18 novels each, Messrs. Lynn and Chamberlain found a businessman character worth calling attention to in less than 2 of these.

But no comparison of this kind can do full justice to what is involved here. To get at the degree of malevolence toward the businessman (in the sense in which that term is here used) attributable to American novelists, it is also necessary to take into account those authors who did not create any businessman characters.

Two facts stand out in this connection. In the first place, it is noteworthy that only 16 of the 30 writers included in this study found any place at all. Fourteen or almost half of these novelists were not given credit by either Chamberlain or Lynn for having written even one novel in which a businessman figures significantly. And in this group of 14 who were thus omitted are such names as Sherwood Anderson, James Gould Cozzens, Erskine Caldwell, James Farrell, William Faulkner, Ernest Hemingway, and Thomas Wolfe.

In the second place, all 30 of these authors have published to date more than

450 novels. Therefore the really relevant comparison is not between the 28 novels referred to in the Chamberlain-Lynn bibliographies and the 300 novels written by the 16 of the 30 novelists who were mentioned. It is rather between the 28 novels on the one hand and the entire group of 450 novels written by all 30 authors on the other. On this basis Lynn and Chamberlain have not listed almost 2 novels per author; the more meaningful figure is rather less than one. And this less than one per author is in turn to be compared with the more than 15 per author published to date by this group. In short, less than one novel in 15 written by these 30 writers was cited as depicting one or more businessmen.

But it may be unfair to base conclusions on the Lynn-Chamberlain bibliographies. These studies were oriented very differently from this one, and there is in addition no way of knowing how complete their authors considered these listings to be. Moreover, even if reliance on these selections were not unfair it would be invalid, because a serious lack of confidence in the selection principles followed by these men has already been expressed. It will therefore be appropriate to make our own selection of what might be called businessman novels, and then to draw conclusions based on this bibliography.

Of necessity the first step here was to make clear the criteria used in developing this list. There were two of these. First, a prominent (though not necessarily the dominant) theme of a book must be the character of one or more businessmen—this criterion having for its purpose making certain that the portrait on the basis of which conclusions are drawn is the one intended by the author and not either the views of another character in the novel or remarks dropped by the writer when he was taking the least pains to be objective. Second, this man must be (or have been) sufficiently highly placed in the business in which he is (or was) engaged to have (or have had) a substantial degree of independence of decision and action. Here the purpose was to distinguish between novelist views of the businessman in the ordinary meaning of that term and views of a third-degree clerk in the fourth office to the left.

Though the resultant bibliography includes more items by the 30 authors studied here than the Lynn-Chamberlain lists, 66 volumes as compared with 28,[11] there is no other striking difference. Only one title cited by both Lynn and Chamberlain, Henry James' *The Ambassadors*, was excluded—the reason being that it contains no portrait of a businessman.[12] In addition, 2 titles listed by Lynn (*Chosen Country* by Dos Passos and *The Grapes of Wrath* by Steinbeck) and 4 mentioned by Chamberlain (Lewis, *Kingsblood Royal*; London, *The Iron Heel*; Sinclair, *The Jungle*; and Steinbeck, *The Wayward Bus*) were omitted because the businessman character sketches in them are not prominent. The 66 volumes in this list of businessman novels, in other words, consist of 21 of the 28 items by this group of authors included in the earlier bibliographies, plus 45 which were not so recognized.

Armed with this revised list, now, can we say anything definitive about the

[11] For a complete list of novels classified here as businessman novels see the *Appendix*.

[12] Though it must in fairness be added that a quite unfavorable attitude toward business does pervade this novel.

"malevolence" hypothesis—malevolence here meaning that novelists go out of their way to bring into their work businessman characters who can then be portrayed in a highly unfavorable light? Perhaps not much, for this is a question that can not be answered in quantitative terms. Nevertheless it is a fact of some significance that in writing more than 450 novels these 30 authors gave prominence to one or more businessman characters in only 66 or approximately one in 7. Furthermore, 6 of these novelists wrote no novel in which at least one businessman is highlighted, 9 wrote only one, and 21 of the 30 authors were responsible for only 23 of these 66 novels leaving the other two thirds to be accounted for by less than one third of the writers studied. Even if every one of these business portraits were unflattering, these facts suggest that the phraseology "frighteningly malevolent" rather exaggerates the eagerness of quality American novelists to make the businessman their favorite whipping-boy.

There is a proverb which asserts that we would be much less concerned with what other people think about us if we realized how seldom they did. Similarly, businessmen might be less preoccupied with what novelists are writing about them if they appreciated how infrequently this happens.

VII

With the "aristocracy" hypothesis, as with the "malevolence" thesis, at least two interpretations of what is meant can be inferred. And here also one of these falls within the scope of the "villain" hypothesis to be dealt with later. According to this interpretation American novelists are "snobbishly aristocratic" in the sense that their own feeling of class superiority, their disdain for mere financial as compared with intellectual-cultural attainments, imbues them with a special hostility to business as a profession—a hostility which might very well emerge as a tendency to depict business characters as villains.

But there is another interpretation of this charge which can properly be discussed apart from the "villain" thesis. It is that novelists as intellectuals more conversant with and at home in their society's cultural heritage than businessmen lose no opportunity to picture these social inferiors as cultural barbarians—aspiring to social recognition beyond their socio-cultural depth, behaving crudely and awkwardly in delicate social situations, and endeavoring to acquire the veneer of culture without mastering the fundamentals. What does the record reveal on this point? How is the businessman portrayed by novelists of quality against the backdrop of America's fluid but nonetheless class conscious social hierarchy?

Now it can not be too strongly emphasized at the outset that the issue here is not whether the businessman is ever portrayed in this fashion. Indeed, if he were not American novelists would be highly suspect as realists. Biographical literature (which is for the most part sympathetic with the subjects treated) as well as social research make it indubitable that an eagerness to achieve upward mobility is often an important motivation in the business world, that ambitious and aggressive businessmen have frequently risen so rapidly that they have not acquired certain of the social graces, and that men of business do sometimes de-

liberately set out to attain under forced draft as it were cultural heights which men of family can take for granted.

It follows that when William Dean Howells presents in full detail the Lapham household as its members nervously prepare for the ordeal of a dinner at the home of one of Boston's "upper crust" families, we can not conclude with any confidence that this author-intellectual is vicariously taking some of his own hostility out on the new rich. Nor is it to be concluded that Theodore Dreiser is necessarily reflecting personal class bias when he portrays the social aspirations of Frank and Ailene Cowperwood on the eve of their move to Chicago after their illicit love affair and Frank's release from the penitentiary—and then abruptly closes the doors of Chicago's highest society against these aspirations. By the same token when George F. Babbitt misunderstands the social basis for the last-minute cancellation of a dinner engagement at the Babbitts by a more elite businessman in the community, and forthwith subjects to precisely the same treatment another businessman whom he considers his own social inferior, it is not to be supposed that Sinclair Lewis is merely venting his own feelings by depicting the social pettiness of businessmen. And when J. P. Marquand shows Willis Wayde painfully devoting 15 minutes a day to Doctor Eliot's "Five-Foot Shelf," proudly announcing at one point that he has gotten as far as Montaigne in a program of reading he clearly neither understands nor appreciates, it by no means follows that the author's own prejudices are showing through.

No, the question is not whether this sort of thing appears from time to time in these novels. It is whether it recurs so monotonously as to suggest that it is being dragged in to feed the biases of the author rather than to serve the purposes of the novel—and whether the businessman is invariably given the short end of this stick.

The first of these queries can be answered very briefly. There is in fact no reason for believing that ranking novelists artificially manufacture episodes designed to portray businessmen at a disadvantage in the world of socio-cultural relationships. In the overwhelming majority of the business novels studied the social and cultural class issue as such assumes little importance, and where it does this emphasis can typically be explained in terms of the apparent underlying objectives of the novelist.

And that where this issue does arise its handling is by no means one-sided can also easily be demonstrated. For example, there is a tendency on the part of some of these writers, one almost naive in its sociological implications, to make no distinction between family and money in the matter of class rankings. Thus when Jed Rusher, the country boy in Upton Sinclair's *Mountain City* whose prospects at the moment are most uncertain, offers to marry Lulu Belle Macy, from one of the best established families in the area, the only questions raised are for the purpose of making certain that Jed is not the father of Lulu Belle's as yet unborn illegitimate child. Later Jed feels he can safely give Lulu Belle a divorce which will permit her to marry the real father of that child, confident that his millions and the oil wells behind them will now carry him by themselves. Similarly in Mary Wilkins Freeman's *The Debtor* the appearance in the little

town of Banbridge of a Wall Street financier brought about an immediate realignment of the social hierarchy there with far more jealous curiosity than real resentment from the older families—until it developed that Arthur Carroll was in fact a fraud and a dead-beat.

Another theme encountered from time to time is the idea that, after all, the culture businessmen may unfortunately lack is not all there is to life. Sinclair Lewis makes no pretense that automobile manufacturer Sam Dodsworth is a man of culture. But when Sam's wife, Fran, drags him off to Europe in pursuit of an Old World culture he is manifestly not interested in, the reader's sympathies do not automatically side with Fran against her husband. Rather as it becomes evident that Fran wants these new experiences primarily so that she can later say she has had them, and especially when she sets out to be seduced by one or more European noblemen, Sam's underlying forthrightness about his own pattern of values and above all his patience with this creature who is his wife go far toward counterbalancing his own cultural shortcomings in the reader's mind.

Similarly, Frank Norris in *The Pit* sets the stage for a battle for reader sympathies between a man of business and a man of culture. The former, in the person of Curtis Jadwin, and the latter, Sheldon Corthell, both fall in love with Laura Dearborn. When early in this story Laura in a fit of depression writes to both men that all is over between them, Corthell forthwith leaves town while Jadwin comes to her posthaste to press his suit to a successful conclusion. Later, however, when Jadwin has begun to neglect Laura, a void appears in her life which the man of letters is more than happy to fill. But the author makes it eminently clear that even at this point it is Laura's loneliness and not Corthell's superiority to her husband in the world of culture that attracts her to him, because her brief but painful flirtation with adultery is abruptly ended when the husband, financially ruined by a sharp and sustained fall in the price of wheat, indicates that he is now ready to give his wife a fuller share of his attention.

By means of yet a third type of portrayal novelists even suggest that businessmen are not necessarily cultural barbarians despite their preoccupation with more practical matters. Christopher Newman, for example, in Henry James' *The American* is depicted again and again conversing on cultural topics as intelligently as he might have discussed industrial conditions with a colleague at a manufacturers' association convention.

In like manner Edith Wharton in *A Son at the Front* in a sense pits a New York banker against an artist in what might be called a social sensitivity contest—and lets the businessman win in a walk. Artist Campton had earlier abandoned his wife, who had then married the banker. And delicate though this situation was for banker Brant, it was further complicated by the principal events in the novel. Mrs. Brant's only child, Campton's son, was first drafted into World War I and then killed on the field of battle. Quite naturally the father resents the fact that his "boorish" successor is closer to his boy during these critical months than is he, and loses no opportunity to be highly critical of him in his own thinking. Then Mrs. Wharton brings her story to a close with a

poignant scene in which Campton suddenly realizes that this crude, unlettered businessman has in fact conducted himself throughout this most difficult period in the manner of a true gentleman.

But perhaps the most striking way in which the novelists studied here avoided poking fun at businessmen against the background of socio-cultural relationships is by poking fun instead at their self-styled "betters." Thus in *Point of No Return* J. P. Marquand obviously does not mean to justify Jessica Lovell's father when he, to make certain his daughter does not marry beneath her station, puts every obstacle a "gentleman" can in the way of low-born up-and-coming Charles Gray's suit; the reader's empathy too easily goes out to Charlie on these occasions. Nor does Henry Blake Fuller intend to justify the haughty attitude of Raymond Prince toward Johnny McComas in *On the Stairs*. Of unimpeachable New England stock, Raymond did not take to his father's banking business—preferring instead to travel and to pursue cultural interests in other ways. Johnny, on the other hand, starting out in life with no advantages whatsoever, looked upon a business career as the best opportunity available to better himself. As Johnny went up the stairway of success, he passed the contemptuous Raymond on the way down, in the process marrying the girl who had gotten bored as Raymond's wife and taking Raymond's son into his own business.

Booth Tarkington even made something of a specialty out of exposing the "high and mighty" to certain realities of life they may have been inclined to overlook. Thus in *The Turmoil* he has the Vertrees, through their daughter Mary, in the most shameless way imaginable, scheme to link their family with the Sheridan family—in order that the Vertrees' name and heritage might be sustained a little longer by means of the Sheridan fortune. In *The Magnificent Ambersons* the last male in a family which had once been magnificent but which has now reached the end of the line is so snobbishly self-centered that he prevents his mother's marriage to a well-to-do automobile manufacturer with whom she is very much in love, only to find himself later so beaten and humbled that he consents to follow the dictates of his own heart into marriage with the manufacturer's daughter. And in *The Plutocrat* Tarkington builds up to a climax in which playwright Laurence Ogle, after repeatedly assuring himself that he is much more fit to live on this earth than a certain fellow tourist, the president of the Illinois and Union Paper Company, is bluntly informed by a highly cultured French woman whom he greatly admires that Mr. Tinker is in fact a far more worthwhile and wholesome person than is Ogle himself.

But if several authors have gone about the task of debunking high society more or less seriously, none of them managed to achieve this effect as delightfully as William Dean Howells in *The Rise of Silas Lapham*. The occasion here is provided by the fact that young Tom Corey, of *the* Coreys of Essex County (Boston), a family now in straitened economic circumstances, is deeply interested in a daughter of *nouveau riche* Silas Lapham, and even wants to go into the paint business with her father. His mother, who believes that "in savour we are just a little beyond the salt of the earth," is appropriately horrified, but her husband loses no opportunity to remind her and his son how artificial is the basis

on which their pretensions to superiority rest. The following is a typical exchange of this sort:

"Will they [the Laphams] be a great addition to society?" asked Bromfield Corey, with unimpeachable seriousness.

"I don't quite know what you mean," returned the son, a little uneasily.

"Ah, I see that you do, Tom."

"No one can help feeling that they are all people of good sense and—right ideas."

"Oh, that won't do. If society took in all the people of right ideas and good sense, it would expand beyond the calling capacity of its most active members. Even your mother's social conscientiousness could not compass it. Society is a very different sort of thing from good sense and right ideas. It is based upon them, of course, but the airy, graceful, winning superstructure which we all know demands different qualities. Have your friends got these qualities,—which may be felt, but not defined?"

The son laughed. "To tell the truth, sir, I don't think they have the most elemental ideas of society, as we understand it. I don't believe Mrs. Lapham ever gave a dinner."

"And with all that money!" sighed the father.

"I don't believe they have the habit of wine at table. I suspect that when they don't drink tea and coffee with their dinner, they drink ice-water."

"Horrible!" said Bromfield Corey.

"It appears to me that this defines them."

"Oh yes. There are people who give dinners and who are not cognoscible. But people who have never yet given a dinner, how is society to assimilate them?"

"It digests a great many people," suggested the young man.

"Yes; but they have always brought some sort of sauce piquante with them. Now, as I understand you, these friends of yours have no such sauce."

"Oh, I don't know about that!" cried the son.

"Oh, rude, native flavours, I dare say. But that isn't what I mean. Well, then, they must spend. There is no other way for them to win their way to general regard. We must have the Colonel elected to the Ten O'clock Club, and he must put himself down in the list of those willing to entertain. Any one can manage a large supper. Yes, I see a gleam of hope for him in that direction."

VIII

The issue of whether or not American realist novelists have typically been openly socialistic in a "dry and doctrinaire" sense immediately focuses attention on the fact that this list of authors includes several who might with comparatively little straining of the imagination be called socialists. Certainly it would not be fanciful to link William Dean Howells, Sherwood Anderson, John Dos Passos, and James T. Farrell, together with Jack London and Upton Sinclair, with what Mr. Chamberlain calls "literary socialism." And surely with all of the novels of these six men at our disposal we would indeed find numerous socialist portrayals of businessmen.

Unfortunately, however, this dimension of the problem at hand is not so easily surrounded. The fact is that the works of these novelists, with the single exception of Upton Sinclair, provide very little uniquely relevant material from the standpoint of the "socialist" hypothesis.

James T. Farrell, although he does in the Studs Lonigan trilogy and in the

Danny O'Neill series take a somewhat radical social point of view, presents no businessman portraits within the meaning of this investigation. John Dos Passos has made one such portrait available, though, interestingly enough, it does not appear in the novel in which he most seriously criticizes the social order. Similarly, of the four volumes by William Dean Howells classified here as businessman novels only one is in a book having social criticism as a major purpose. Sherwood Anderson also wrote four novels included in this category but again only one of these was in a context which might be termed ideological. And, most surprising of all, Jack London developed only one businessman portrait—and this in a novel having no more serious social purpose than urging the superiority of an active life in the country to a sedentary life in the city.

On the basis of these facts it is difficult not to conclude that, with the exception of Upton Sinclair, the so-called radical novelists can hardly be set apart from their nonradical colleagues in this matter of ideological orientation in the portraiture of businessmen. Nor is Sinclair so towering an exception as might at first be supposed. With a total of 48 novels to his credit, he has nevertheless contributed only 9 businessman portraits to our list of 66.[13]

But if the novels of these writers do not provide an ideological model against which to test the businessman portraits of their fellow novelists, an alternative approach must be employed. Only a clear statement of what is meant by the contention that American novelists have been "openly socialistic" in dealing with capitalist characters can serve as the point of departure so obviously needed. Stated more concretely, the key question here is: What criteria distinguish a socialist frame of reference in this respect from a nonsocialist one? And even more specifically, this distinction perhaps being the most crucial of all, how does a socialist portrait of a businessman differ from a presentation depicting the capitalist merely as a "robber baron"?

Now it may seem at first glance that this unfairly restricts the working definition to be used, that it sets the stage for proving a case by the definitions given to the concepts used. However, for two reasons either of which would be decisive, the framework of this study does not in fact permit the arbitrary selection of one among a number of possible definitions at this point. First, Mr. Chamberlain in stating the "socialist" thesis himself emphasized ideological content, and certainly it is possible to subscribe to the "robber baron" version of the American industrial revolution without also accepting the socialist interpretation of economic evolution as such. Second, a "socialist" hypothesis so broadly stated as to include the "robber baron" viewpoint would thereby become indistinguishable from the "villain" thesis—which is to be given special consideration below.

If, then, a fairly narrow ideological definition can be justified, this requirement can perhaps be satisfied by the following: A socialist portrayal of a businessman is one in which the capitalist is presented in the center of a vortex consisting of labor exploitation, class struggle, and the threat of the replacement

[13] This number, 9, including as one item the picture of Robbie Budd which emerges from the 10-volume Lanny Budd series.

of private by public ownership of the means of production. To be sure, certain other socio-economic features would ordinarily be expected to support this core of relationships—such as, for example, the inexorable destruction of the petty bourgeoisie, and the use of the institutions of law, politics, religion, and education for the purposes of the capitalist class. However, these "trappings" in and of themselves are quite as supportive of the "villain" as the "socialist" hypothesis, and therefore they will be thought of here only as corroborative material. The primary focus of attention will therefore be the capitalist-proletariat conflict.

On the basis of this definition, now, how accurate is it to refer to America's realist novelists as socialist in their treatment of the businessman? The fact is that there is hardly more than a trace of this orientation in the novels included in this study. Indeed, outside the novels of Upton Sinclair there is not a single work that can without qualification be placed in this category.

A few cases in point will illustrate. Note for example how Sherwood Anderson works his way around the socialist stereotype of the businessman. To begin with, in only one of the four novels he wrote portraying one or more businessmen does he give prominence to the class struggle as such. Norman McGregor in *Marching Men*, son of a coal miner, comes early to the conclusion that the downtrodden can achieve freedom only by marching side by side to demand their rights. Even here, however, the path of the leader of the "marching men" does not cross that of the capitalist in a bitter and bloody battle for supremacy. McGregor's relationship with David Ormsby, head of the great plow trust, stems rather from his interest in Ormsby's daughter Margaret. And finally, far from being pictured as a capitalist whose only thought is to retain the right to exploit workers even if heads must roll in the process, Ormsby is instead depicted as seriously meditating whether he or McGregor has really found the key to life. "I wonder", he muttered, "if... McGregor and not myself knew the road to beauty."

The case of John Dos Passos is also interesting in this connection. He too wrote only one novel in which class conflict was highlighted. In this novel, however, *Adventures of a Young Man*, no businessman portrait is made available. By contrast, in the only businessman novel by Dos Passos socialist patterns as such are conspicuous by their absence. To be sure, *The Big Money* may have been intended by its author as an attack on the private enterprise system of economic organization, a system in which during the 1920's a barely average young man from the standpoint of both ability and morality could become almost disgustingly wealthy, but this message is carefully kept beneath the surface. Though Charley Anderson became a successful businessman, this novel deals with the economic dimension of his life only incidentally. The real focus of attention is his relationships with women.

Still another aspect of this phenomenon can be seen in the writings of Theodore Dreiser. This author more than any other American novelist set the stage in *The Financier* for the portrayal of a highly placed businessman in a socialist context. Frank Cowperwood at an early age decided that the law of civilization is identical with the law of the jungle—that the strong feed on the

weak, and that consequently one must either kill or be killed. But Dreiser does not develop this setting into a socialist portrait, with Cowperwood pictured as a capitalist ruthlessly exploiting the working class. Instead he is presented as a financial genius primarily engaged in combining small property units into much larger ones and bumping heads with other financier-promoters in the process. Though both Cowperwood and his rivals do unabashedly subvert legal and political institutions to their own ends, there is not the slightest indication in any of the Cowperwood novels that the author is preoccupied with labor exploitation, class struggle, or public ownership of the means of production.

Perhaps the most striking case is that of Jack London, the avowed and earnest socialist who has given to posterity not a single socialist portrait of a businessman as that term is defined here. To be sure, London makes no secret of his ideological position; in many of his writings he gives vent on occasion to his radicalism. But even in his most serious novels the uniquely socialist orientation which might be expected is strangely absent.

Martin Eden is the story of a writer's struggle to give his art to the world despite the narrowness of a highly materialistic civilization, a theme the socialists have no particular claim upon, and one its author saw fit to develop without creating a single businessman character. In *The Iron Heel*, a 1907 account of the 1932 socialist revolution in America, London came no nearer to presenting a businessman than the staging of a public debate between a major revolutionist and one of the most powerful members of the capitalist class. And in *Burning Daylight*, named after the central character who achieved success in business without losing his integrity of character, insofar as business activities are concerned the focus of attention consists essentially of a brief episode in which the hero is fleeced by a group of Wall Street operators.

This brings us to the case of Upton Sinclair—and the fact that at least one of our authors more or less lives up to expectations. But even here it is worth noting that this is by a very small margin. Despite his unmistakeably radical social philosophy, Sinclair nevertheless does not monotonously create capitalist characters fitting closely the socialist stereotype.

In part this is because a favorite Sinclair technique of exposure is the use of a "traitor" to the capitalist class as the primary vehicle. However neatly this device may serve the purposes of a novelist who feels that fundamental changes in the status quo are long overdue, it does not lend itself readily to the creation of capitalist characters in the socialist image. Unavoidably, this technique has the effect of building up as characters the capitalist "traitors" who do not conform with the radical stereotype at the expense of the capitalist "villains" who do, this fact making several of Sinclair's "doctrinaire" capitalists among the most indistinct in the entire bibliography.

Moreover, there is another key factor involved here. The plain fact is that even Upton Sinclair is ideologically ambivalent about his capitalist characters. Thus in *King Midas*, his first serious novel, the multimillionaire Harrison is not pictured as bending every effort to make the largest possible profit out of workers living at the margin of subsistence. Rather he is revealed as regretfully conceding that the pursuit of wealth has crowded all the finer things out of

his life. Dad Ross in *Oil* is presented as an employer striving earnestly to be just to his employees as human beings despite the pressure brought to bear upon him by the Petroleum Employers' Federation. And in *Little Steel* Mathew Judson Quail, industrialist, is shown toward the end of his career deciding to abandon the rigorous discipline of decision-making and wealth accumulation in favor of a life of hobo leisure.

IX

The methodology of this study makes especially difficult dealing with the question whether American novelists have been "painfully unrealistic" in depicting businessman characters. Not only does this inquiry also overlap the "villain" hypothesis, for Mr. Chamberlain certainly equated unrealism at this point at least in part with the persistent tendency he reported for fiction writers to present businessmen as agents of evil, but there is here an even more specific hurdle to be surmounted. The authors studied were selected because they have been accorded a secure place in the American realist tradition in the broadest meaning of that term. There would be some justification, therefore, for asserting that their portrayals of businessmen are realistic by definition. Clearly, however, such a resolution of this issue will not do; it would be the equivalent of not inquiring into this matter at all.

But how else can it be gotten at? Scarcely more satisfactory would be a comparison of fictional businessmen with the real-life businessmen of one's own acquaintance—although this is evidently one of the primary bases on which Mr. Chamberlain reached his conclusions. The businessmen any one individual happens to know well enough for this purpose, particularly the businessmen included in the circle of acquaintances of a college professor, could hardly be thought of as a random sample of the businessman population—as the capitalist figures created by a score of realist novelists might reasonably be expected to be. Nor would a comparison of fictional businessmen with biographical portraits come any nearer hitting this mark. If most novelists are biased in one direction where businessmen are concerned, most biographers of businessmen are fully as biased in the opposite direction.

However, if there seems not to be readily available a direct solution to this problem, perhaps an indirect one will serve as an acceptable substitute. Just such an approach is suggested by Robert Kavesh in his little tract entitled *Businessmen in Fiction*.[14] A key assumption behind this presentation is that a representative sample of businessman figures in fiction could not be thought of as realistic if the characters so portrayed are all alike—if there is not a richness of variation among these people corresponding to the unique individuality so evident in everyday life.

Professor Kavesh states his proposition, and at the same time his own conclusion concerning it, as follows:

> ... But what is surprising is ... the lack of variety in the fictional characterizations of businessmen.

[14] Hanover, New Hampshire: Amos Tuck School of Business Administration, 1955.

Ordinarily, a sampling of novels brings us face to face with a range of characters. We read about lawyers, physicians, politicians who are greedy and generous, reflective and unthinking, honest and deceitful, cultured and boorish and so on. Thus we might expect to read about all kinds of businessmen. But this expectation is not borne out by a reading of some 100 American novels dealing with business in one form or another.

It is not known which 100 novels Professor Kavesh examined in reaching this conclusion. He specifically mentions only a dozen—if the briefest possible reference to Frank Cowperwood can be said to stand for 3 novels in this count. However, this is of no importance here. Our purpose is not to see if another researcher has correctly read the novels in his bibliography, but to see if his conclusion, whatever the content of the bibliography used, is applicable to the particular group of writers under investigation in this study. In other words, our procedure is still the use of other findings as hypotheses, the hypothesis in this case being an elaboration of the Chamberlain thesis that in dealing with businessman characters American novelists have been "painfully unrealistic." And the result of this elaboration is the proposition that businessmen in American novels have been narrowly portrayed in the sense that every one is very much like every other one.

Before, however, examining the businessman novels in our bibliography from this standpoint, one important qualification must be read into the record. While it is indeed reasonable to expect variation in the fictional characterizations of lawyers, physicians, politicians, and businessmen in realist novels, it is not reasonable to expect too much variation. Put differently, the members of no such group will be representative of the entire population. The machinery which places some individuals in one social role and other individuals in another is highly selective. Particular personality characteristics (which are infinitely varied in any large universe of people) have a way of harmonizing with the requirements of some roles and of rubbing most painfully against the requirements of other roles, with the result that individuals having a certain cluster of personality characteristics in common tend to find their way into similar social roles.

With this qualification in mind, having determined that the reasonable expectation is far less variance than would be found in the total population, what does the record show? Are the portraits of businessmen developed by the novelists studied here characterized by such a dead level sameness that Professor Kavesh's term "caricature" is appropriate?

By no means! Contrast, for example, Harry Gordon in Willa Cather's *Lucy Gayheart* literally pining his life away over the girl he had the misfortune not to marry, with the behavior so obviously attributable to Theodore Dreiser's Frank Cowperwood had he confronted a similar situation. One can no more imagine Cowperwood not setting out to make Lucy his mistress, than one can imagine Lucy or any other woman successfully resisting his advances once he had charted his course.

Or consider how James Sheridan, Senior, in Tarkington's *The Turmoil,* and Frederick William Cornplow in Sinclair Lewis' *The Prodigal Parents,* brought

up their boys. Sheridan was so heavy-handed with, for instance, Roscoe, stubbornly insisting upon moulding him in his own image, that the boy went to pieces under pressure—with the result that his father all but disinherited him. Cornplow, on the other hand, was so indulgent in rearing his son Howard that that young man also went to pieces—after which his father treated him as a Prodigal Son.

There is Willis Wayde in J. P. Marquand's *Sincerely, Willis Wayde* who can not at all be visualized as doubting the value of the life he is living, to say nothing of Don Miguel in James Gould Cozzens' *Cock Pit* to whom shifting men around on the chessboard of life, and even removing them from the board when necessary, was something of a game. And at the opposite pole there is John Webster in Sherwood Anderson's *Many Marriages* who one day became so oppressed by the daily grind that he simply walked out of his office never to return, and John Lane in Robert Herrick's *Together* who defiantly turned his back on the sordidness he found to be associated with life in the world of big business and set out with his wife for the West to take up a completely new life there.

From still another standpoint Sam Dodsworth in Lewis' *Dodsworth* offers a striking contrast with the hero of Henry James' *The American.* Sam was most reluctantly dragged off to Europe by his wife, and during their entire stay there was frankly bored with almost every activity classified under the heading of improving his cultural outlook. Christopher Newman, on the other hand, deliberately gave up his business responsibilities so that he might spend a portion of his vigorous life virtually basking in the atmosphere of a culture older and in certain respects more advanced than his own. Furthermore, in even sharper contrast with Dodsworth, it was plainly evident from the way he conducted himself in Europe that Newman had not neglected cultural pursuits even while he was amassing his wealth.

And note the differences among these men in their relationships with their wives. Sam McPherson in Sherwood Anderson's *Windy McPherson's Son* did not hesitate to "double-cross" his wife in the interest of business advancement, even though he might reasonably have anticipated that this would mean losing her—as it did. Silas Lapham, by contrast, is shown contributing substantially to his own bankruptcy by giving financial aid to his no-good ex-partner in large part because Mrs. Lapham had long been needling him about "squeezing" Rogers out of the business years before. In Ellen Glaskow's *The Romance of a Plain Man,* and in Frank Norris' *The Pit,* the main character very nearly loses his wife from neglect. But Charlie Gray in J. P. Marquand's *Point of No Return* spent hours on end discussing with his Nancy every development in the intraoffice political battle in which he was embroiled. Bogan Murdock in Robert Penn Warren's *At Heaven's Gate* was every inch the master of his own household, while David Marshall in Henry Blake Fuller's *With the Procession* allowed himself to be driven to an early death trying to make it possible for his women to "keep up with the procession."

Another way in which these men differ greatly from one another is in business

competence. Thus the reader is given every reason to suppose that John Amherst in Edith Wharton's *The Fruit of the Tree* is a thoroughly capable executive, having worked his way up from the bottom to a highly responsible position in a large concern before marrying his way into the top management position. Thede Emerson, on the other hand, in Erskine Caldwell's *A Lamp for Nightfall,* seems to owe his business success as much to a certain miserliness as to business competence. Still farther along this continuum stands Plausaby, Esq., in Edward Eggleston's *The Mystery of Metropolisville,* whose worldly accumulations stem largely from sneaky shrewdness. As his wife expresses it he is not bothered by "notions"—though his stepson would have used the term "principles." And at the far end is Charlie Anderson in Dos Passos' *The Big Money;* here the reader is left with the distinct impression that this man's rise to affluence is due to the fact that in the 1920's in the United States men of a certain (unsavory) character could hardly keep from rising rapidly.

Even in the matter of personal integrity there is a considerable range of variation among the businessmen portrayed by the authors examined in this study. To be sure, men like Plausaby in his little way, John Lane on a somewhat larger scale, and Don Miguel, Frank Cowperwood, and Bogan Murdock in the truly grandiose manner, did not hesitate to subvert institutions of law and order. But at the same time there are in this group a surprising number of men whose integrity of character is beyond reproach.

When Solon Barnes in Theodore Dreiser's *The Bulwork* discovered that his colleagues in The Traders and Builders Bank were abusing their position of trust he promptly summoned the bank examiners to bring them back into line. There is no basis either for supposing that Randolph Anderson, the small shop keeper in Mary Wilkins Freeman's *The Debtor,* would stoop to anything mean or petty. Daniel Ordway in Ellen Glasgow's *The Ancient Law,* after serving his sentence for embezzlement, became a model of sobriety and integrity. Similarly, Van Harrington in Robert Herrick's *The Memoirs of an American Citizen* is depicted as a thoroughly trustworthy individual. Willis Wayde is pictured rationalizing his way out of an awkward situation, but probably more than half believing the rationalization. Honesty, in other words, was clearly an important value to Willis. And of course the prince of them all was Silas Lapham who on two occasions refused to mislead a business associate *where in all probability no injury would have resulted—even though this would quite possibly have saved him from bankruptcy.*

X

How about Professor Lynn's generalization that American novelists have often gone out looking for the businessman but have never really found him— that even when novelists have focused attention on business figures they have nonetheless concentrated primarily on the nonvocational relationships in which these characters are involved? Is this charge any better founded than those already examined?

Yes, it must be conceded that this dart strikes home. A review of our 66

novels with this question in mind makes it quite evident that there is comparatively little about business as such in them.

But precisely what does this signify? Professor Lynn suggests that American novelists have not known enough about business life to write intensively about it, and there is a further inference that businessmen have been discriminated against from this standpoint. What does the record show on these issues?

In the first place, there is considerable evidence indicating that novelists can write about business as well as about businessmen when their purposes demand it, that if American's novelists have all too seldom found the businessman in his professional setting the reason is that they have all too infrequently gone out looking for him there. The portraits we have been given of Frank Cowperwood, Monroe Stahr, Silas Lapham, Babbit, Charlie Gray, Willis Wayde, and Curtis Jadwin bear solid testimony on this point. The question therefore arises why the purposes of novelists so seldom require the development of a fairly full business setting in which to place businessman characters.

This is a large question, too large in view of its importance to be dealt with fully here. Fortunately, however, this is not necessary. It can readily be demonstrated that business as a profession is not discriminated against from this standpoint; the vocational settings of the other kinds of people are as little developed by American realist novelists as is the business environment of businessmen. Our purposes require only the demonstration that this question does in fact merge with an issue much more comprehensive in scope than the problem under investigation here, that Professor Lynn is making a general assertion about the character of American novels rather than a particular one about the portrayal of businessmen in the American novel.

In Willa Cather's *The Professor's House*, for example, the principal character is a university professor. But Miss Cather does not supply her readers with a detailed account of life on a university campus, much less the strictly professional life of Godfrey St. Peter. Rather this novel is an account of the trials and tribulations which beset the St. Peter family after it has taken in a brilliant youth who yearns for a college education but has insufficient financial backing. Working long hours in the physics laboratory young Tom Outland, just before World War I takes him from his research, develops an invention which is potentially very valuable. Then he is killed in the war, leaving a will made out in favor of one of Professor St. Peter's two daughters to whom he is engaged. And when Rosamund a little later marries a man who promptly sets about developing Tom's invention, becoming quite well-to-do in the process, the St. Peter family is steadily torn to pieces by jealousies and animosities. In short, this is no more a novel about the profession of teaching than *Dodsworth* is a novel about the manufacture of automobiles.

And though in one of her most powerful novels, *Ethan Frome,* Edith Wharton centers the reader's attention on a farmer, it does not follow that this story focuses upon the business of farming. Rather it highlights stresses and strains inside the Frome household. Shortly after his marriage young Ethan discovers that his wife is seriously ill mentally, and is apparently destined

to live the rest of her life as a mean and carping shrew. At first he is able to make a fairly effective adjustment to this misfortune, but when Zeena's psychosomatic ailments virtually incapacitate her a train of events is set in motion which dramatically challenges that adjustment. His wife's cousin, Mattie Silver, a gay and charming young woman but homeless and without means of support, comes to live with the Fromes. Though she is a great help and comfort to Zeena, Mattie soon falls in love with Ethan—who also sees in her the woman he should have married. With the impossibility of their situation increasingly torturing them, they resolve to commit suicide together. These plans miscarry, however, and both are maimed for life instead, upon Zeena falling the task of caring for her invalid cousin while her crippled husband ekes out a bare subsistence for the three of them. Thus there is if possible even less about farming as a vocation in *Ethan Frome* than is to be found in Fuller's *The Cliff-Dwellers* about the business of banking.

And note the way Robert Herrick works his way around, without at all dwelling upon, vocational materials in *The Man Who Wins.* The central character in this novel, Jarvis Thornton, the man who in fact does not win, wanted very badly to be a research biologist. But when he married Leonora Elwell, whose family had once been both wealthy and highly placed but is now visibly decaying, he shortly found it necessary to increase his income in order to keep his wife's family more or less intact. He does this by becoming a practicing physician. Many years later, when a talented young painter wants to marry Thornton's daughter, the father pleads with his prospective son-in-law to let nothing stand in the way of the development of his creative impulses and capacities. Throughout this book the actual practice of medicine figures scarcely at all; far less attention being devoted to that theme than is given to the operation of The Wheat Exchange in Frank Norris' *The Pit.*

In much the same way does Booth Tarkington virtually ignore the professional life of a lawyer in *The Conquest of Canaan.* Here Joe Louden, the rejected step-son of a woman who gave the son of her own first marriage everything he wanted within the reach of her second husband's means, was driven to the brink of delinquency by his step-mother's attitude carried over into the larger community. As a very young man he leaves home to escape his unwholesome environment, educates himself, and then returns to the old home town as a lawyer to take up the causes of lower class people who have in some way fallen under the heels of the "best people." Against great odds, most specifically the opposition of the local newspaper under the immediate editorial management of his step-brother, Joe wins respectability—ultimately exposing the town's first citizen as a cheat and a corrupter of the morals of a large segment of the population. To be sure, the hero is shown from time to time in his office, just as Old Dryfoos in Howells' *A Hazard of New Fortunes* is occasionally seen in the editorial office of the magazine he owns, but in the one case no more than the other is the reader taken beyond the anteroom of the professional world which occupies the character in question.

Nor does Ellen Glasgow open up the work of Michael Akershem, an editor

and the central figure in her *The Descendant,* to detailed reader scrutiny. Her interest lies rather in the philosophy of life Mike is laboring throughout this book to perfect—and which can be seen especially well from the vantage point of the chief editorial position for a magazine such as *The Iconoclast.* An illegitimate child raised by a local farmer, Mike early acquired a fine hatred for all social institutions. This attitude brings him into an intimate relationship out of wedlock with Rachel Gavin, an artist who feels much as he does about social conventions. Eventually he tires of Rachel, however, transferring his affections to Anna Allard—a devoutly religious young woman who he will have to marry if he is to have. Thus cruelly torn between two mutually exclusive views of life, Mike kills one of his young disciples in a fit of rage. Rachel, whose life he had all but ruined, now patiently awaits his release from prison, only to have him die in her arms as soon as they have found one another once more. Here again Michael Akershem is no less a working man than John Lane in Herrick's *Together,* but if anything Lane the railroad executive stands out more clearly than Akershem the editor.

And one final example taken from the many which might be cited is Henry James' portrayal of an artist in *Roderick Hudson.* Here a man of independent means, Rowland Mallet, meets by chance a young man, Roderick Hudson, who is struggling to become a practicing lawyer but who apparently has a latent genius as a sculptor. Mallet urges his new friend to give up the law and let him, Mallet, finance further training and experience in his art in Italy. Early in the novel the artist accepts this generous offer, and the two men set out for Europe. But this is not an introduction to an intensive examination of the process of becoming a sculptor, nor even a presentation of a pattern of interrelationships which might grow out of that occupation. Instead James sets out immediately to trace the visible and ultimately fatal course of emotional and moral degeneration which strikes this promising young man down before he has hardly more than launched his career. There is here, in short, no more a portrayal of the professional life of an artist than there is in Upton Sinclair's Lanny Budd series an account of the professional life of a munitions maker.

XI

Although it has become clearly evident that, whatever the direction from which this problem is approached, all aspects of it lead into the "villain" hypothesis, it is nonetheless not easy to find a point of departure for discussing that thesis. Nor is this because, as suggested by Professor Lynn's findings, there are in this literature so few businessmen portrayed as such. On the contrary there can be found at least one usable example in the novels of most of the writers included here—though the extent of the portrayal does vary greatly from case to case. Rather the difficulty is the conceptual one of setting out criteria for deciding who is a villain and who is not.

The fact is that a classification of this kind requires a value judgment of truly heroic proportions, and there are as many sets of values for this purpose as there are readers of novels. Happily, however, this problem can be

minimized at the outset because it would be manifestly absurd to use reader values as a guide—even if these could be synthesized into a single definitive pattern. The end in view is a better understanding of the businessman as the novelist sees him, and therefore it is the writer's values which must provide the testing instrument.

There are, to be sure, instances in which there is little doubt that the intention of the author is to portray a businessman villain. Such an instance is Don Miguel in James Gould Cozzens' *Cock Pit.* Here the fabulously wealthy and proportionately powerful owner of the largest sugar corporation in Cuba is shown as a man who selects the easiest, quickest means to achieve whatever end he is seeking, whether this be buying a falsified report or hiring a gunman. Similarly Alexander Arnold in Robert Herrick's *A Life for a Life* is depicted as a man whose standards of morality are so low as to drive his son away from the home of his youth and into the world as a social outcast. In Edward Eggleston's *The Mystery of Metropolisville* Plausby, Esq., is so greedy for property that he contrives to have his step-son falsely jailed to prevent interference with his own illegal operations. And there can be little doubt about the attitude of the author of *The Turmoil* toward the central character in that story, the man who virtually destroyed his family by trying to stifle the individuality of its members.

But perhaps the most striking fact about instances such as these is that there are so few of them. Cases in which the novelist just as clearly does not intend the businessman character to be seen as a villain are unquestionably in the majority.

Thus the plow trust magnate in *Marching Men* who is shown in the end wondering if he has followed the right road to success in life, to beauty, is obviously not meant to be so interpreted. No more is Charlie Anderson in *The Big Money.* Charlie may reasonably be viewed as a pathetic figure, but the concept villain surely connotes a strength of character and an importance which Dos Passos would unquestionably have begrudged him. The Quaker hero of *The Bulwark,* the man who brought the bank examiners in to break up his colleagues' little racket, is obviously meant to be seen as the opposite of a villain. Monroe Stahr in *The Last Tycoon* is pictured as a hard-working Hollywood executive, so competent as to be above the tactics of petty politics and strongarming rivals. And it is clearly not villainy in any common meaning of that term which compels a man like David Marshall to work himself to death trying to "keep up with the procession."

But a mere listing of cases in this way begins shortly to drive home another key dimension of an investigation of the "villain" hypothesis. The fact is that to ask whether their major characters are villains or not is almost to insult quality novelists in the realist tradition. Their business, their intention, is not to portray either villains or saints; their purpose is rather to create "real" persons. And one of the most noteworthy facts about real persons is that they almost invariably have both loveable and unlovely characteristics.

Put differently, though he is pictured toward the end of his career as a

man in search of truth and beauty, David Ormsby in *Marching Men* had nevertheless lived a life somewhat more dominated by a desire for wealth and power than is ordinarily considered a virtue. For all his competence and straightforwardness, Monroe Stahr is also portrayed as a man neurotically attached to the memory of his deceased wife. Although David Marshall is depicted as almost saintly in the patience and devotion he gives to his family, it is also made clear that it is a weak backbone which permits this man to drive himself to an early grave in a frantic endeavor to gratify the petty vanities of his womenfolk. Arnold Kemper in Ellen Glasgow's *The Wheel of Life* had an undoubtedly well deserved reputation as a "rake"—which the author carefully balanced off against the gentleness with which he woos a delicate, sensitive girl long withdrawn from active society. Indeed, even a Don Miguel comes in for a certain amount of reevaluation when he gallantly accepts defeat at the hands of the young woman whose hand his nephew is seeking and whose father his own hired thug narrowly failed to kill.

Furthermore, this pattern is not always incidental to the plot of the novels in which it is found. As often as not the novelist makes this contrast between "good" and "bad" character traits a major feature of his or her work.

Note for example how this theme is developed in the portrait of Harry Gordon in Willa Cather's *Lucy Gayheart*. Just starting out in life, Harry is aggressively ambitious, a mood which a career in the bank his father founded can do much to satisfy. However, it is also important that he give careful consideration to his choice of a mate; a man's home and family situation, after all, can be as much a factor in professional progress as career opportunities. Thus it is that he is torn between lovely, vivacious Lucy Gayheart, daughter of a lowly watchmaker and one of the most beloved playmates of his boyhood, and a young lady of a very high social standing.

He ultimately resolves this issue in favor of Lucy, and forthwith asks her to marry him. She refuses him, however, and in the process deliberately exaggerates the nature of her platonic relationship with Clement Sebastian, a married concert singer from Europe on tour in the United States, for whom she is doing accompaniment work. At this point Harry drops her completely—even leaving her that very evening in a restaurant to make her way home alone. A short time later he marries the other girl, and when Lucy comes home from the big city after Sebastian's tragic death, Mr. and Mrs. Gordon pointedly cut her socially. Later, on a bitterly cold day, when Lucy is on her way afoot to a nearby spot which held cherished childhood memories for both of them, he passes her in his cutter, asks her where she is going, but does not offer to take her there. And when that same day she skates into a thin place in the ice and is drowned, Harry even arranges to be out of town on a business trip at the time of the funeral.

To this point the case could hardly be more clear-cut. An upward-mobile, middle class man thinks of a certain woman as a business asset. The woman, however, thinking of love and happiness, refuses his offer, suggesting that she has already found what she is looking for. For this "crime" she must be

punished, and the man grimly sets out to punish her with every resource his high position in a sharply class-conscious small community makes available to him. Surely this is the essence of villainy—self-centeredness to the point of treating other human beings as a means to an end, and, wholly devoid of forgiveness of spirit, treating individuals who resist this domination as worms to be ground under heel.

But this is to judge Harry from the outside, and it turns out that Miss Cather has no intention of letting this judgment stand uncontested. At the very end of the book she takes us deep into the soul of Harry Gordon so that we will understand from the inside just why he has behaved as he has. When Harry left Lucy that night in the restaurant, it was in part because his moral sensitivities were offended, in part because he had just received a bitter blow on any interpretation of what Lucy was telling him, and in part because he did want to punish her as well as to avoid becoming "contaminated" by her. Later, however, what appeared to be outright snobbery was prompted by Harry's gnawing fear that a deep affection for Lucy he could not overcome would cause him to lose control of himself and as a result bring unhappiness both to Lucy and to his own family. And as soon as he returned after Lucy's funeral he made arrangements at great cost financially to have the home of Lucy's girlhood kept just as he remembered it when he and Lucy had been childhood chums.

And note how much the same theme is kept in the foreground of F. Scott Fitzgerald's *The Great Gatsby*. In the early chapters of this novel Jay Gatsby is surrounded with a considerable air of mystery which is also deeply permeated with an aura of evil. ("You look at him sometimes when he thinks nobody's looking at him. I'll bet he killed a man.") The source of his obviously large income is not known, he seems to frequent his expensively elaborate mansion primarily at night and then mainly on the occasion of one of the fabulous parties for which he is famous, and many of the people with whom he associates would hardly be accepted in the best society.

Suddenly, however, this picture begins to change—or rather to expand. The narrator of the story (Nick Carraway) moves next door to Gatsby, and somewhat to his surprise finds him a very pleasant neighbor despite the company he keeps. Shortly thereafter it develops that Gatsby five years earlier had been in love with Nick's cousin Daisy Fay before her marriage to Tom Buchanan who is now keeping a low caste mistress on the side, and that he has all this time been carrying something of a torch for this lost sweetheart. And when it develops that Daisy is no longer in love with her wayward husband, that she is eager to receive and return Gatsby's love, instead of working out a clandestine liaison behind her mate's back (as Tom Buchanan is doing with the wife of another man) Gatsby openly confronts the irate husband.

At this point the story reaches the peak of its intensity in both of these dimensions. Tom announces that he has had Gatsby investigated and learned that his income stems largely from his success in defying the Eighteenth Amendment—suggesting also that Gatsby has long been (broadly implying

that he still is) engaged in various and sundry rackets more or less closely allied with this illegal "rum-running." These accusations seem to turn Daisy from Gatsby, but nevertheless the two of them are soon driving back to town together (at Tom's suggestion: "Go on. He won't annoy you. I think he realizes that his presumptuous little flirtation is over.") in Gatsby's car with Daisy at the wheel. On the way she runs down and kills a woman (by chance, her husband's mistress), driving on without stopping even though Gatsby urges her not to leave. Gatsby then elects not to disabuse anyone's mind of the assumption that he is the hit-and-run driver, and in consequence is hunted down and killed by the husband of the dead woman.

Much the same overlaying of one set of characteristics on, or at least side by side with, another can also be seen in Mary Wilkins Freeman's *The Portion of Labor.* Here the major businessman figure is Norman Lloyd, owner and chief executive officer of Lloyd's, the largest of the three factories employing most of the working people living in this small mill community.

At first Lloyd is seen by the reader only through the eyes of his workers, and the picture that emerges is not flattering. They see him as conscious of little more than his concern's profit and loss statement—hiring and firing employees, closing down the plant or starting it up again, reducing or raising wages, turning out older men who have spent their most productive years at Lloyd's but are now slower than the younger men who can be hired in their stead—all without the slightest regard to the fact that the men and women whose lives he is thus manipulating are fellow human beings.

As one of Lloyd's workers expressed a viewpoint apparently accepted by most of the town's citizens: "We ain't anything but the rounds of the ladder for Norman Lloyd to climb by, and he only sees and feels us with the soles of his patent-leathers." And on his side Norman Lloyd returned such compliments with full measure. When his wife suggests that perhaps unemployed Lloyd workers, in spending some of their rapidly dwindling resources on recreation, are behaving much as she and her husband would behave under similar circumstances, Lloyd bluntly asserts that he does not agree, then adding as if to clinch the point, "and that is the reason why you and I are not in their places."

As the novel progresses, however, the atmosphere of intense dislike and disapproval surrounding Lloyd unmistakeably begins to soften. First he is shown to be tenderly thoughtful of his wife's wishes by not confessing to her his knowledge of her grave physical condition—simply because she is so happy to have kept it from worrying him. Then, as he lies in the street after being shot down by a maddened striker, he says to those about him in a tone implying sincere forgiveness, "the man is insane." Later Andrew Brewster, a protagonist in the story who as an elderly man has recently been replaced at Lloyd's after many years of faithful service, is pictured at the funeral giving way to genuine grief. And after the funeral Lloyd's praises are loudly and feelingly sung by the wife of a former employee of Lloyd's, a man who had gotten his hand cut in a machine and had subsequently died from lockjaw.

Lloyd had given her five dollars a week over a period of twenty years, besides providing funeral expense money for both of her children at the time of their deaths.

But none of these cases provides as classic an illustration of the phenomenon under observation here as the handling of a railroad magnate by Frank Norris in *The Octopus*. Throughout almost the entirety of this book Shelgrim is known to the reader only by what others say about him. And almost without exception the people who do this talking are men and women who feel deeply aggrieved by their treatment at the hands of "the octopus," Shelgrim's railroad. In consequence, the picture the reader forms of this man is that of a monster—a man with no feeling for his fellowman, no sense of the essential brotherhood of all mankind.

Then, with only a few more pages remaining, the author sweepingly reverses his field. On the one hand, he makes explicit what has throughout the book been implied; the ranchers have themselves used illegal methods in their war against the railroad. On the other hand, he sends one of the book's major characters on a visit to Shelgrim's office to satisfy "an inordinate curiosity" to see what this "beast" is really like. His first reaction was astonishment at the man's vigor at age 70. But, he reminds himself, "It is an ogre's vitality. Just so is the man-eating tiger strong. The man should have energy who has sucked the lifeblood from an entire People."

Small wonder Presley was totally unprepared for what happened next. Before he opens his discussion with "the ogre," one of Shelgrim's assistants brings in a report on one of the clerks in the office. In almost every respect, it was evident, the man's work was unsatisfactory. A good enough employee when sober, apparently the habit of drink had so settled itself upon him as to make him all but useless to the company. Repeatedly Shelgrim had in the past intervened in Tentell's behalf, but now the situation had continued to worsen so steadily that a subordinate now stood before him with an order terminating the man's services which he was asking Shelgrim to sign.

> Shelgrim did not look at the order. He turned his swivel chair about and faced the window behind him, looking out with unseeing eyes. At last he spoke:
> "Tentell has a family, wife and three children. How much do we pay him?"
> "One hundred and thirty."
> "Let's double that, or say two hundred and fifty. Let's see how that will do."
> "Why—of course—if you say so, but really, Mr. Shelgrim—."
> "Well, we'll try that anyhow."

Nor did this complete Presley's discomfiture. Before he could "readjust his perspective to this new . . . view of the President of the P. and S. W.," he was himself immersed in a discussion with the man he had only the day before tried to kill which was to shake his thought processes to their very foundations. At its conclusion he was no longer certain that the man who directed the affairs of "The Octopus" was a monster, and indeed was more than half inclined to believe that he was not. And certainly the reader of this novel can not but be

convinced that its author did not intend his readers to conclude that Shelgrim was a thing of evil, a villain.

XII

Not only, furthermore, is *The Octopus* a classic illustration of the deliberate refusal of American realist novelists to portray businessmen as rascals; it also reveals an even more fundamental aspect of the "villain" hypothesis. For the way Frank Norris turns upside down reader impressions he has gone to considerable pains to build up suggests that in his mind it is superficial in the extreme to heap abuse upon businessmen for whatever ills may beset a business civilization. The culprit, if indeed there is one, is rather Nature, underlying conditions, the business civilization itself.

Note how unmistakably the author of this novel turns this corner. In the conversation between Presley and Shelgrim the railroad magnate, with characteristic bluntness, shortly brought the discussion around to Presley's opinion of himself as the railroad's chief executive officer.

"And," continued the President of the P. and S. W. with grave intensity, looking at Presley keenly, "I suppose you believe I am a grand old rascal."

"I believe," answered Presley, "I am persuaded—." He hesitated, searching for his words.

"Believe this, young man," exclaimed Shelgrim, laying a thick powerful forefinger on the table to emphasize his words, "try to believe this—to begin with—that Railroads build themselves. Where there is a demand sooner or later there will be a supply. Mr. Derrick, does he grow his wheat? The Wheat grows itself. What does he count for? Does he supply the force? What do I count for? Do I build the Railroad? You are dealing with forces, young man, when you speak of Wheat and the Railroads, not men. There is the Wheat, the supply. It must be carried to feed the People. There is the demand. The Wheat is one force, the Railroad, another, and there is the law that governs them—supply and demand. Men have only little to do in the whole business. Complications may arise, conditions that bear hard on the individual—crush him maybe—but the Wheat will be carried to feed the people as inevitably as it will grow. If you want to fasten the blame of the affair at Los Muertos on any one person, you will make a mistake. Blame conditions, not men."

"But—but," faltered Presley, "you are the head, you control the road."

"You are a very young man. Control the road! Can I stop it? I can go into bankruptcy if you like. But otherwise if I run my road, as a business proposition, I can do nothing. I can not control it. It is a force born out of certain conditions, and I—no man—can stop it or control it. Can your Mr. Derrick stop the Wheat growing? He can burn his crop, or he can give it away or sell it for a cent a bushel—just as I could go into bankruptcy—but otherwise his Wheat must grow. Can anyone stop the Wheat? Well, then no more can I stop the Road."

Presley regained the street stupefied, his brain in a whirl. This new idea, this new conception dumfounded him. Somehow, he could not deny it. It rang with the clear reverberation of truth. Was no one, then, to blame for the horror at the irrigating ditch? Force, conditions, laws of supply and demand—were these then the enemies, after all? Not enemies; there was no malevolence in Nature. Colossal indifference only, a vast trend toward appointed goals. Nature was, then, a gigantic engine, a vast cyclopean

power, huge, terrible, a leviathan with a heart of steel, knowing no compunction, no forgiveness, no tolerance; crushing out the human atom standing in its way, with nirvanic calm, the agony of destruction sending never a jar, never the faintest tremor through all that prodigious mechanism of wheels and cogs.

To be sure, if this were an isolated case it would hardly be worthwhile calling attention to it. But it is by no means isolated. In novel after novel an identical emphasis can be found.

Thus in *Windy McPherson's Son* Sam McPherson is shown rebelling against the sham, pretense, and corruption which seems to go hand in hand with a business career. Accordingly, he gives up his business position and sets out to find a nexus of human relationships in which a man can be himself and therefore be free to enjoy a larger share of the goodness and beauty in the world. The two major areas he explores before he finds what he is looking for within his own marriage relationship are the labor union and the socialist brotherhood. From both he is soon compelled to turn in disgust.

In *The Portion of Labor* this same theme comes through with equal force. When Normal Lloyd dies and his nephew Robert takes over operation of the mill, the reader halfway expects a veritable revolution in relationships between employer and employee. Not so, however. This young man, who has heretofore been shown only in the most favorable light, reacts to the realities of life as a property owner much as had his uncle. And to make quite certain that this point is not missed, the author concludes her novel by explaining quite concretely what she means by its title. The hardships suffered by working people, she asserts, are not an evil to be borne with until better arrangements can be made, not the consequence of property in the hands of wicked men. It resides in the very nature of things.

He seemed to see that labor is not alone for itself, not for what it accomplishes of the tasks of the world, not for its equivalent in gold and silver, not even for the end of human happiness and love, but for the growth in character of the laborer.

"That is the portion of labor," he said.

Young Ogden in *The Cliff-Dwellers* and David Marshall in *With the Procession* are both portrayed as victims rather than the creators of evil—victims of the ambition and greed so deeply rooted in the environment that had nurtured their women. In *The Ancient Law* Miss Glasgow brings home this same point, adding, however, that once a strong man tastes the delights of a life free from such pervading temptations he can hardly bear to take up these chains again. John Lane in *Together* does not participate in the questionable practices of the railroad company which employs him because he is morally deficient; rather his environment has taught him to want advancement, through the railroad he can achieve this objective, but to use this huge corporation for this purpose he must accept its pattern of life. Though Willis Wayde does feel compelled to rationalize his big decision both to himself and his friends, it is nevertheless clear that he has no choice but to sell out to the larger company unless he is prepared to abandon a very large share of what the world around him has taught him to think of as good.

But here again there is a classic case in point which goes a long way toward making decisive the conclusion that the villain of the realist novel is our material civilization and not the businessman. That is Theodore Dreiser's Cowperwood trilogy.

Note that though Mr. Chamberlain refers to these novels as outstanding examples of the businessman-as-villain point of view, the author is in fact palpably indifferent to the question whether or not his hero is a "bad" man. Instead he depicts Cowperwood as a creature of his environment, and against the background of that frame of reference he so causes the reader to empathize with the main character that whenever Cowperwood suffers a setback (as, for instance, when he is sentenced to prison for illegal activities with public funds) the reader is apt to find himself trying to fasten the blame upon someone else.

More specifically, Cowperwood is depicted as picking up from his environment while a mere lad a fundamental belief in the survival of the fittest. Lobsters feed on squid; men feed on lobsters; and other men feed on the men who feed on lobsters. This was the way the world was made, and this was the philosophy on which Frank Cowperwood would therefore build his life. And he did! Whether the objective was defeating business rivals, buying off public officials, or adding new women to his long list of illicit love affairs, Cowperwood took what he could get—no more troubled by the question of villainy than is the reader who endeavors to keep pace in his own imagination with this man's amazing exploits.

Nor is it to be supposed that a materialistic environment as villain "corrupts" only businessmen. Men and women in all walks of life are seen in the novels studied here tossed this way and that by forces they are seemingly unable to control.

In *Alexander's Bridge*, for example, an engineer is tempted to betray his craftsmanship by building a bridge that is inadequately supported. Gideon Planish in Sinclair Lewis' novel of the same name is an educator shown prostituting his training, talents, and title in pursuit of fame and fortune. A key episode in James Farrell's *No Star is Lost* is the failure of the family doctor to answer the O'Neill's call when their home was being ravaged by diphtheria—because he was uncertain about collecting his fee. In J. P. Marquand's *So Little Time* a Hollywood script writer is depicted as so busily engaged rushing from one triviality to another that he becomes acutely conscious of the little time he has available for the important things in life. Undine Spragg in Edith Wharton's *Custom of the Country* is the epitome of the "new woman" in the new industrial civilization—the more or less respectable "kept" woman (by whatever man she is at the moment married to) who knows only how to take, not to give. The very essence of *Manhattan Transfer*, perhaps Dos Passos' best novel, is the way many different kinds of people, denizens of a huge urban society, are shown drifting from one moment to the next seeking they are not sure just what without finding anything that could seriously be thought of as happiness. And undoubtedly one of the main reasons Upton Sinclair's capitalists do not stand out either as socialist prototypes or as

villains is because so many other kinds of people in Sinclair novels are portrayed as floundering in this same morass of basically anti-Christian morality.

And here too there is an especially noteworthy instance of what is at issue here. It is the philosophy underlying the novels of Robert Herrick. To be sure, Herrick does, in more than one novel, depict businessmen unfavorably. In other novels, however, representatives of other professions occupy this "doghouse." Thus in *The Gospel of Freedom* an artist is so conceived, in *The Web of Life* and *The Healer* members of the medical profession, in *The Common Lot* an architect. In *The Real World* the most unloved character is a woman, in *Homely Lilla* a professional educator is moved into this position, and in *The End of Desire* the reader's animosity is primarily aroused against a professional psychologist. And in every one of these novels the root of the difficulty lies in what the author clearly believes to be the artificial and hence inferior values fostered by the new industrial civilization.

XIII

No extensive summary of findings need be offered here. Suffice it to say simply that every hypothesis test yielded negative results except one, and even in this case the positive result seems to have no implications for the handling of businessmen as such by realist novelists.

Instead, it would seem to be more to the point to make a few further comments about the way this study points beyond itself. One the side of the novel, for example, what is easily mistaken for an indictment of businessmen in fact reflects certain trends in American novel writing which far transcend the question whether or not the businessman is typically portrayed as a villain. Thus Joseph Beach, in writing about American novels during the period between the two world wars, stressed their pessimism of outlook.

> They do not ... give any proper view of people living in settled peace and contentment in homes secure against financial disaster, moral ruin, and sentimental breach of faith. By one consent they have taken for their subject that unsettlement and instability which we must acknowledge to be a characteristic feature of our life both material and moral.[15]

A more pointed version of this pessimism is Professor Gelfant's emphasis upon the persistent criticism in the modern novel of the city civilization which has so rapidly replaced the rural ways of living of only one hundred years ago.[16]

And on the side of businessmen it is readily understandable why there has been so much misunderstanding and apprehension about the fictionalization of businessmen. Professors Sutton, Harris, Kaysen, and Tobin have explained in some detail the insecurity felt by members of the business community as the cutting edge of profound social change.[17] Because they are, as a class, pro-

[15] J. W. Beach, *American Fiction, 1920–1940* (New York: The Macmillan Company, 1941), p. 351.

[16] B. H. Gelfant, *The American City Novel* (Norman: University of Oklahoma Press, 1954).

[17] F. X. Sutton, S. E. Harris, C. Kaysen, and J. Tobin, *The American Business Creed* (Cambridge: Harvard University Press, 1956).

moters of socio-economic evolution on a gigantic scale, they would of course be inclined to take personally attacks on the new social order they have done so much to bring into being. However, despite this understandable self-consciousness, the fact remains that quality novelists in the American realist tradition have not singled out businessmen as primary moral agents in a process of civilizational deterioration.

APPENDIX

Businessman Novels

Anderson, Sherwood	*Windy McPherson's Son*
	Marching Men
	Poor White
	Many Marriages
Caldwell, Erskine	*A Lamp For Nightfall*
Cather, Willa	*Lucy Gayheart*
Cozzens, James Gould	*Cock Pit*
	The Son of Perdition
Dos Passos, John	*The Big Money*
Dreiser, Theodore	*The Financier*
	The Titan
	The Stoic
	The Bulwark
Eggleston, Edward	*The Mystery of Metropolisville*
Fitzgerald, F. Scott	*The Great Gatsby*
	The Last Tycoon
Freeman, Mary Wilkins	*The Portion of Labor*
	The Debtor
Fuller, Henry Blake	*The Cliff-Dwellers*
	With the Procession
	On the Stairs
Glasgow, Ellen	*The Wheel of Life*
	The Ancient Law
	The Romance of a Plain Man
	The Builders
	In This Our Life
Herrick, Robert	*The Memoirs of an American Citizen*
	Together
	A Life for a Life
Howells, William Dean	*The Rise of Silas Lapham*
	A Hazard of New Fortunes
	The Quality of Mercy
	Letters Home
James, Henry	*The American*

Lewis, Sinclair	*Babbitt*
	The Man Who Knew Coolidge
	Dodsworth
	The Prodigal Parents
London, Jack	*Burning Daylight*
Marquand, J. P.	*H. M. Pulham, Esquire*
	B. F.'s Daughter
	Point of No Return
	Sincerely, Willis Wayde
Mitchell, S. Wier	*John Sherwood, Ironmaster*
Norris, Frank	*The Octopus*
	The Pit
Sinclair, Upton	*King Midas*
	The Moneychangers
	King Coal
	A Captain of Industry
	Oil
	Boston
	Mountain City
	Little Steel
	The Lannie Budd series
Tarkington, Booth	*The Turmoil*
	The Magnificent Ambersons
	The Midlander
	The Plutocrat
	Rumbin Galleries
Twain, Mark	*The Gilded Age*
Warren, Robert Penn	*At Heaven's Gate*
Wharton, Edith	*The House of Mirth*
	Madame De Treymes
	The Fruit of the Tree
	A Son at the Front

THE CONCEPT OF AUTOMATIC STABILIZERS

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Since World War II there has been a growing conviction that the great economic convulsions of past experience are no longer likely. This persuasion is based in part on recent historical evidence, which is in turn reinforced by changes in the institutional structure of the economy. The adoption of the Employment Act's mandate, the acceptance of the countercyclical efficacy of an unbalanced budget, the rejuvenation of monetary policy, the relative growth in the government's contribution to economic activity,[1] and the increased progression of the over-all tax structure are examples of these institutional changes. Additional optimism is derived from the improvement of economists' knowledge and experience with respect to countercyclical policy. Still, historical extrapolations have proved unreliable before; economic forecasting is an art rather than a science; Congress jealously guards its fiscal prerogatives; as recent popular controversy has amply demonstrated, discretionary countercyclical weapons are considered too blunt, excessively time-consuming, and apt to backfire (even assuming a consensus on effective action can be obtained); monetary policy is likewise blunt and likely to be decisive in only one direction—and then, perhaps, too decisive! Clearly, there is little justification for optimism on the basis of these developments alone.

There is, however, another related institutional change that is stressed by many who feel that future cycles in economic activity will not be severe. During the latter stages of the war, economists, on the basis of theoretical arguments, proposed that the fiscal system exerted an automatic countercyclical impact.[2] With no change in tax rates, revenues from the existing tax system would expand and contract in positive relation to changes in national income and probably more than proportionately; federal outlays would exhibit an opposite tendency, although quite likely to a lesser degree. It was also on this favorable operation of the expanded system of automatic stabilizers that hopes for less severe business fluctuations in the future were pinned. Indeed, the refusal to lower tax rates during the 1957–58 recession is, in part, an illustration of government belief in considerable built-in stabilization potential.

[1] See, however, Bert G. Hickman, "Federal Spending and the Stability of the Postwar Economy," in U. S. Congress, Joint Economic Committee, *Federal Expenditure Policy for Economic Growth and Stability: Papers Submitted by Panelists Appearing Before the Subcommittee on Fiscal Policy*, 85th Cong., 1st Sess., 1957, pp. 357–81, where it is argued that in the postwar period government expenditures have been a significant destabilizing element.

[2] This dating, of course, is an oversimplification which does not do justice to an impressive number of perceptive scholars. Norman F. Keiser, "The Development of the Concept of 'Automatic Stabilizers,'" *Journal of Finance*, December 1956, XI, pp. 428–37, provides an extensive list of authors who had considered at least some aspects of this question prior to the mid-1940's.

The realism, or lack thereof, of placing hopes on the countercyclical effectiveness of the built-in stabilizers has been subjected to more or less extensive examination. The studies of Hart,[3] Egle,[4] the Committee for Economic Development,[5] the Universities-National Bureau Committee for Economic Research,[6] and White[7] stand out, although this listing is by no means exhaustive. These assessments of the countercyclical efficacy of the battery of automatic stabilizers, however, have been based on a definition of built-in stabilization which is unnecessarily restricted in its operational elements. The purpose of this article is to spell out in greater detail a more realistic conceptualization of the compensatory scope of automatic stabilizers.

The Concept of Automatic Stabilizers

In discussions of the role of automatic stabilizers in counteracting cyclical swings it is usually assumed that the impact of these devices is fiscal in nature.[8] This rather limited interpretation of the scope of automatic stabilization measures runs throughout the literature. A few economists, however, have visualized built-in flexibility as having a broader impact than the term "fiscal" would suggest. Hart proposed several criteria by which to judge the automatic stabilization qualities of a particular countercyclical measure. Any device which begins its compensatory effect without waiting for a new policy decision and which also (1) tends to produce budget deficits during slumps and surpluses during upswings, or (2) expands the community's stock of cash in slumps and reduces it in high prosperity, or (3) tends to lower the public's demand for cash balances during slumps and raise it in high prosperity, or (4) any

[3] A. G. Hart, *Money, Debt, and Economic Activity* (2d ed. New York: Prentice-Hall, 1954), chaps. 27 and 28. See also the 1948 edition of the same work.

[4] Walter P. Egle, *Economic Stabilization: Objectives, Rules, and Mechanisms* (Princeton: Princeton University Press for the University of Cincinnati, 1952).

[5] Numerous pamphlets, but see especially *Problems in Anti-Recession Policy* (New York: CED, 1954).

[6] *Policies to Combat Depression* (New York: National Bureau of Economic Research, 1956). The papers by Joseph A. Pechman and David W. Lusher treat the issue of the efficacy of automatic stabilizers.

[7] Melvin I. White, "Personal Income Tax Reduction in a Hypothetical Contraction," *Review of Economics and Statistics*, February 1949, XXXI, pp. 63–68, and his more comprehensive study, of which the article just cited is in the nature of a summary, *Personal Income Tax Reduction in a Business Contraction* (New York: Columbia University Press, 1951).

[8] This is explicit in a 1947 symposium on reconversion problems. See S. Norris Livingston, "Economic Policy in Transition," *Review of Economic Statistics*, February 1947, XXXIX, p. 21. Alvin H. Hansen (*Business Cycles and National Income* [New York: W. W. Norton and Company, 1951], pp. 144–45) and James A. Maxwell (*Fiscal Policy: Its Techniques and Institutional Setting* [New York: Henry Holt and Company, 1955], pp. 100–109) implicitly endorse this viewpoint. Of course, fiscal policy includes monetary effects but most writers do not stress this. Milton A. Friedman, "A Monetary and Fiscal Framework for Economic Stability," *American Economic Review*, June 1948, XXXVIII, pp. 245–64, reprinted in *Essays in Positive Economics* (Chicago: University of Chicago Press, 1953), pp. 133–56, is a major exception.

combination of these would, according to Hart, be designated a built-in stabilizer.[9] In view of recent research in the theory of income determination this set of criteria should probably be amended. "Stock of money and near monies," i.e., stock of "moneyness," should be substituted for "stock of cash" in the second test above. This is in keeping with the current attitudes on the determinants of the level of effective demand which have evolved from emendations and additions to Keynes' concise formulation.[10] From a purely practical standpoint it also seems reasonable to delete the third condition above from the set of criteria. Policy measures which have the effect of altering the nature of the drive for liquidity must work through expectations and habitual responses. The degree of indirectness involved means that little operational certainty can be attached to devices of this nature. Completeness demands, nevertheless, that this test be included.

While Hart's set of criteria establish minimum conditions which automatic stabilization devices must fulfill, as will be argued subsequently, it is inadequate in several respects. No doubt the most obtrusive and certainly greatest impact of the built-in stabilizers is their effect, through budgetary imbalances, on income levels. Nevertheless, this facet of automatic stabilization has been unduly stressed. Such over-emphasis is doubtlessly derived in part from the hold that the interaction of the multiplier and the acceleration principle has gained on the explanation of cyclical movements. But to a large extent it is also due to the fuzziness of the theory which tries to relate changes in the stock of money and near monies and the drive for liquidity to variations in aggregate demand. Not only is this theory vague and ill-defined but, what is worse for economists, the relationships deduced by *a priori* arguments are poorly suited to quantification and hence are not ideal subjects for empirical confirmation.

The above reasons offer little justification for neglecting the monetary side of automatic stabilization measures. It is not necessary to invoke the Pigou effect, as Friedman does,[11] in order to admit this possibility. Clearly, changes in income level and rates of change in income are not the only determinants of changes in the level of effective demand. Other economic magnitudes—liquidity positions, expectations, habits, to name a few general categories—while quantitatively less significant in impact and knowable with less precision, frequently assume critical importance. Discussion of these sorts of relationships cannot be shunned if the countercyclical efficacy of automatic stabilizers is to be properly evaluated. Whether or not these monetary and attitudinal relationships can be quantified, their effects must somehow be assessed.

[9] A. G. Hart, *Money, Debt, and Economic Activity* (2d ed.), p. 462. These same tests appear in the book's first edition also. Egle, *op. cit.*, p. 47, subscribes to these criteria too, but, as will be seen, Egle extends the tests into an important area that Hart only concedes by implication.

[10] See, for example, James Tobin's appeal in his article, "The Business Cycle in the Post-War World: A Review," *Quarterly Journal of Economics*, May 1958, LXXIII, pp. 286–88.

[11] See Friedman, "A Monetary and Fiscal Framework ..." *op. cit.*, *passim*. Also, George L. Bach, "Monetary-Fiscal Policy Reconsidered," *Journal of Political Economy*, October 1949, LVII, p. 391, n. 20.

Be that as it may, it must be acknowledged that built-in stabilization devices which elicit automatic responses in government budgets counter economic fluctuations more effectively than automatic devices which give rise solely to variations in the stock of moneyness or the demand for cash balances. Government surpluses and deficits have a relatively more direct impact on total effective demand than do variations in the supply of moneyness or liquidity demands. Increases in the supply of moneyness may serve merely to satisfy an enhanced drive for liquidity. Only when this thirst for liquidity is sated can increases in moneyness have even an indirect bearing on the income level. To some extent, however, this discussion is academic. All current automatic stabilization devices operate reasonably close to the income stream. Since the gold standard has been abandoned there have been no built-in stabilizing measures which have directly produced variations only in the quantity of moneyness. There are no measures which evoke automatic variations in the demand for cash balances as distinct from automatic tendencies to saturate this demand. Nevertheless, in all cases where automatic stabilizers cause swings in the government surplus or deficit, variations in the stock of moneyness or in ability to satisfy liquidity are also involved. The monetary aspects of automatic countercyclical devices reinforce the fiscal aspects.

While Hart's criteria posit the minimum conditions by which it is possible to determine whether a particular stabilization measure is automatic in its operation, they do not constitute the conditions which a relatively *effective* system of automatic stabilizers must satisfy. In order to have the maximum anticipated favorable economic impact, both direct and indirect, an automatic countercyclical device must not detract from the possible beneficial results.[12] Negation of the beneficial results could be incurred by an adverse impact on expectations. Persons responsible for making economic decisions must be able to anticipate a fairly definite pattern of action from the stabilization policies and from the economic system. In the absence of this "predictability of action"[13] the expectations of decision-makers will vacillate, the stability of the economy's internal response mechanism diminishes, and what may have been an effective stabilization policy becomes less satisfactory, if not damaging.

An automatic stabilization arrangement which possesses predictability of action must fulfill criteria in addition to those already set forth. Decision makers cannot adopt reasonably stable responses to economic change, influenced as it is by a system of automatic devices, without a relatively extended period of adaptation. Consequently, one of the additional requisites of an efficacious automatic countercyclical program is that the devices must have enough permanence to become part of the economic milieu of decision-making units. Once a set of built-in stabilization measures is instituted, however, the arrangement need not be unalterable. The aspect of permanency is a relative matter. What seems necessary is that once an automatic counter-

[12] Egle, *op. cit.*, especially pp. 45–47, dwells on this issue. The next few paragraphs lean heavily on his exposition. See also A. G. Hart, "The Problem of 'Full Employment': Facts, Issues, and Policies," *American Economic Review*, May 1946, XXXVI, pp. 283–86.

[13] The term is Egle's. *Op. cit.*, p. 46.

cyclical arsenal is built-in its expected tenure must be such that its impact can be amalgamated into the multitude of considerations which enter into business and consumer decisions. While it is not feasible to attach a specific duration to the time period for which these devices must seem permanently installed, the length would vary with the horizon of the private planning period and with the countercyclical mechanism of the specific type of device. Moreover, the magnitude of the anticipated change in the stabilization system is an important consideration. If expected changes are to be relatively minor then undoubtedly the changes could be undertaken more frequently. On the other hand, a major adaptation of the system should be inaugurated very rarely.

In this respect the purely fortuitous nature of the present arsenal of automatic stabilizers may have been a blessing. These stabilizers became a part of the economic response mechanism without fanfare and the public unconsciously adjusted its thinking to take them into account. When economists ultimately became cognizant of the existence of a considerable amount of built-in stabilization and made their awareness known, the public's economic adjustment was already an accomplished fact. Had the government overtly instituted a system of automatic stabilization measures for the express purpose of decreasing cyclical instability, expectations would have been grossly revised. By the unplanned and, for the period that mattered, unknown intrusion of automatic countercyclical devices the additional dislocations attendant to the revision of expectations were minimized.[14]

An additional requirement for an effective set of automatic devices is that the objectives and important provisions of the stabilization complex must be clearly defined. The stabilizing effect as such need not be blueprinted; rather the essence of this requirement is procedural. If there is to be predictability of action, automatic stabilizers must preclude the possibility of administrative discretion and recourse to new legislative enactments. To some extent this is not entirely possible.[15] Yet an effort must be made to minimize substantially

[14] This, perhaps, would be one way to rationalize the greater acceptability of the Committee for Economic Development's stabilizing budget policy and the current obscurity of Friedman's well-reasoned proposal. In large part the CED found that the contemporary economy provided substantially effective automatic measures whereas Friedman's plan called for rather revolutionary restructuring of existing economic institutions.

The CED's program was first comprehensively elucidated in CED, *Taxes and the Budget: A Program for Prosperity in a Free Economy* (New York: CED, November 1947). Subsequent CED pamphlets provided restatements, amplification, and emendation of this program. The original CED scheme, its subsequent development, and its fortunes are capably analyzed in Walter W. Heller, "CED's Stabilizing Budget Policy After Ten Years," *American Economic Review*, September 1957, XLVII, pp. 634–51. Friedman's proposal is presented in his essay, "A Monetary and Fiscal Framework ..." *op cit.*

[15] For example, the countercyclical impact of one of the traditional automatic measures, the unemployment insurance program, depends on a low-level administrative decision regarding the qualifications of the prospective beneficiary. The same sort of determination is frequently necessary with respect to allowable deductions for income tax purposes. The farm price-support program, should it qualify as a built-in stabilizer, requires annual appropriation bills from which the funds to service the price-support obligations are drawn. Should Congress fail to pass these bills, the price-support program would rapidly atrophy.

the area in which discretion can be exercised. Otherwise, human vagaries and frailties would unnecessarily aggravate the difficulties already attendant to the assimilation of the effects of automatic devices into the private planning process.

The true merit of the built-in stabilizers is their automatism. The operation of an automatic mechanism for providing changes in tax revenues, therefore, is likely to be more effective than tax adjustments of equal value magnitude which are dependent on legislative or administrative decisions regardless of the punctuality of the action. An increase in tax payments will be more effective in inducing expenditure responses if the taxpayer can, with each prospective income rise, anticipate the increase in tax payments and relative fall in liquidity than if he must wait until the appropriate government authority revises tax rates. However, should the automatic mechanism elicit reactions which, while automatic, do not conform properly to movements in economic activity it may be worse than useless. Thus the issue of proper conformity is of some moment.

Accepting the dual stabilization goals of a relatively stable general price level and relatively full employment and giving neither pre-eminence, and also recognizing that neither of these is perfectly attainable under any foreseeable system of countercyclical measures, what is the ideal timing of the compensatory contribution of the automatic stabilizers? Figure 1 caricatures the business cycle, following the Schumpeterian model of the four-phase cycle. Letting the trendline represent the achievement of the joint stabilization objectives, an ideal countercyclical mechanism would abet cyclical movements toward the trendline and tend to cancel movements away from it. During Schumpeter's prosperity and recession, therefore, the compensatory devices should tend toward a government surplus and a diminution of liquidity; during his depression and recovery periods the opposite should be true. If the countercyclical impact of the built-in devices were instantaneous then rigidly tying their activation to variables that conform perfectly with the turning points in economic activity would provide the desired compensatory effect only during Schumpeter's de-

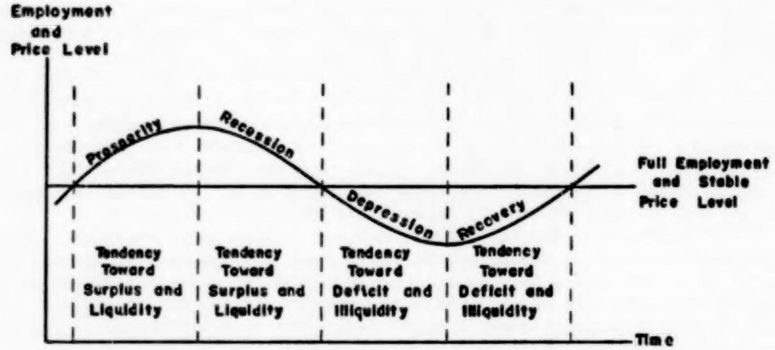

FIG. I. IDEAL COUNTERCYCLICAL ACTION OF AUTOMATIC STABILIZERS

pression and prosperity. However, Friedman has correctly observed that even for automatic stabilizers the passage of time between the device's initial reaction to economic change and its economic impact is of significant duration.[16] While reliable empirical evidence of the duration of this impact lag is lacking, it seems likely that the weighted average impact lag is of such length that, in fact, automatic stabilizers that are linked to cyclically conforming series do approximate the desired compensatory performance. Ideally, therefore, the automatic stabilizers' countercyclical action should be rigidly fixed to conforming variables and, of course, variables which at the same time exhibit a wider amplitude than the cycle itself. Hence, the final requirement of effective built-in stabilizers is that they be closely tied to operational variables that are sensitive to and conform with economic fluctuations.

If these conditions are met—if a stabilization device is relatively permanent, well defined, and linked to cyclically sensitive and conforming series, i.e., if it possesses predictability of action—and at the same time Hart's amended criteria are fulfilled, a countercyclical measure may be said to be automatic and, chances are, relatively effective. It should be noted that these requirements almost certainly exclude formula flexibility from consideration as an element of built-in stabilization policy. An important facet of inherent stabilization in the economy is that decision-making units should be able to adopt reasonably certain expectations concerning the operation of the economic response mechanism, given the arsenal of countercyclical measures. Where the stabilization arsenal contains large elements of formula flexibility the adoption of reasonably certain anticipations requires a higher order of sophistication and precision of knowledge than would expectations involving the types of stabilizers here being discussed—the so-called fixed or constant automatic stabilizers. Furthermore, unless the formula were kept secret and, in fact, could not be surmised by the public, a stabilization arrangement which entailed rate changes in the tax system for different phases of the cycle would create opportunities for injurious speculation.

Consequently, another important, although not necessarily distinguishing, feature of the type of stabilization device here defined as automatic is that its automaticity be of a by-product nature and not the resultant of purely countercyclical considerations. Its operation should not be derived from a separate, external formula which was instituted for compensatory purposes. All of the current potential automatic stabilizers are of this type—there are no stabilizers possessing formula flexibility unless the merit-rating provisions of the unemployment insurance programs can be so considered.

The Current Battery of Automatic Stabilizers

What are the currently operating federal stabilization devices which qualify as automatic countercyclical compensators? As has been mentioned, most economists would classify as automatic stabilizers those devices which, without

[16] Friedman, "A Monetary and Fiscal Framework ..." *op cit.*, p. 146. This "impact lag," of course, will be of varying length depending upon the mechanism through which the particular stabilizer imparts its countercyclical influence.

the necessity of new policy decisions, tend to render budgetary deficits in slumps and budgetary surpluses in booms. Hart's criteria broaden this classification somewhat but the inclusion of his tests concerning the supply of and demand for moneyness do not in practice admit a larger number of existing measures to membership. The commonly accepted automatic stabilizers must be included in either case, Hart's additional criteria serving simply to underline another dimension of the mechanism of the stabilizers. The insistence that automatic stabilizers must have predictability of action, however, may filter out some of the countercyclical measures which are conventionally accepted as being automatic. Hence a brief enumeration of the measures which qualify according to the complete set of criteria postulated above is warranted.

The three major sources of federal revenue—personal income and corporate income taxes and excise taxes—clearly meet the tests. The current collection features, cyclical volatility of the base, and progressive rates of the personal income tax combine to make it a powerful automatic stabilizer. Excise taxes and the corporate income tax possess countercyclical flexibility because of the volatility of the tax base alone, although in the case of the latter there is rudimentary progression due to favorable treatment extended small corporations. The lagged quarterly payment provision is not too damaging since, in practice, corporation managements seem to operate on the principle of accruing tax liabilities.[17] There can be little debate that these taxes satisfy Hart's conditions, nor can it be convincingly denied that they are clearly defined, of a by-product nature, tied to cyclically sensitive and conforming variables, and possess an aspect of permanency.

The techniques by which the above forms of government revenue exert their automatic countercyclical influence are certain enough. Because of the sensitivity of the tax base and, where applicable, due to the progression in the structure of rates, these built-in tax devices permit the retention of a larger share of income than would otherwise be the case in the event of an economic contraction. In the upswing, conversely, these measures tax away a larger share of income. At the same time, because of their impact on the budget's balance, they tend to alter the supply of moneyness. The mechanisms of automatic flexibility in budgetary expenditures, however, are less precise since there are no expenditure concepts directly analogous to the revenue concepts of "base" and "structure of rates." This, however, is not a major hurdle in an attempt to list the government spending activities qualifying as automatic stabilizers. None of the criteria postulated above make reference to the specific mechanism by which the countercyclical impact must be achieved. All that was proposed was that built-in stabilizers should (1) possess predictability of action, (2) go into effect without the need for fresh policy de-

[17] This is supported by E. Cary Brown, "Pay-As-You-Go Corporate Taxes," *American Economic Review*, September 1947, XXXVIII, pp. 641–45, and Hart, *Money, Debt, and Economic Activity* (2d ed.), p. 464. The spreading of losses under the corporate income tax, since it is discretionary with management, seems likewise to have little pertinence to the issue at hand.

cisions, and (3) have the proper effect on the government's budget and on the supply of or demand for moneyness.

Not many government expenditures programs qualify on the basis of these three criteria, but certainly the social security schemes fit. The countercyclical effect of the Old Age and Survivors Insurance program depends upon the variation in aggregate contributions growing out of fluctuations in the "covered" payroll base with the flexibility of benefit disbursements coming from the withdrawal out of or entry into the "covered" labor force of insured persons over the requisite age level for eligibility.[18] The unemployment insurance program is probably the most direct and automatic of the various built-in devices.[19] As with the OASI arrangement, the countercyclical sensitivity of contributions to the unemployment insurance trust fund is a derivative of the volatility of the covered wagebill upon which employers' contributions are based.[20] The compensatory workings of the benefit payments provisions are obvious. Thus, the countercyclical effect of both these types of social security legislation is twofold: a drop in the level of economic activity tends to lower employers' and employees' aggregate contributions and to increase the amount of benefit payments from the trust funds; an increase in economic activity tends to raise the aggregate amount of contributions and to lower the total value of benefit payments. Unlike other expenditures programs, such as public assistance schemes, the OASI and unemployment insurance programs permit little administrative discretion. The determination of the amounts contributed, of the amounts payable as benefits, and, to a large extent, of eligibility for benefits is taken out of the hands of individual officials; rather the tax and benefit formulas and conditions of eligibility are clearly stated in the enacting legislation.

One other government expenditure program deserves consideration. It has been fashionable to accord the status of built-in stabilizer to the federal farm

[18] *Survey of Current Business*, July 1947, XXVII, p. 46, points out the conformity of the withdrawals of covered employees from the labor force during cyclical contractions. See also R. A. Dahl and C. E. Lindblom, "Variation in Public Expenditure" in Max F. Millikan (ed.), *Income Stabilization for a Developing Democracy* (New Haven: Yale University Press, 1953), pp. 378–80.

[19] Of course, the unemployment insurance system operates under state laws rather than by federal legislation. Nevertheless, Philip E. Taylor, *The Economics of Public Finance* (rev. ed.: New York: Macmillan Company, 1953), p. 534, suggests that there is, in general, substantial uniformity among the state systems. Additionally, the federal Treasury acts as a depository and disbursing officer for state funds accumulated under their unemployment insurance programs. There is therefore some justification for considering the insurance system a "federal" program.

[20] Merit or experience rating provisions complicate the picture. The average contribution rates move anticountercyclically because of the merit rating provisions. Nevertheless, the volatility of the payroll base effectively compensates so that, on balance, the revenue operations of the unemployment insurance programs impart a favorable stabilization impact. See Charles A. Myers, "Experience Rating in Unemployment Compensation," *American Economic Review*, June 1945, XXV, especially p. 341, and W. A. Andrews and T. A. Miller, "Unemployment Benefits, Experience Rating and Employment Stability," *National Tax Journal*, September 1954, VII, pp. 193–209.

price-support programs. According to the arguments presented in favor of their inclusion it is immaterial whether support payments are designed to maintain agricultural prices during a deflationary period or to provide parity incomes for producers of certain important products. If the price-support programs are fashioned to maintain farm prices, the amount of payments made to producers will increase as deflation progresses. Contrastingly, government support payments during periods of high prices will presumably slacken. If, instead, the support program is planned to provide parity prices, only a fall in farm prices proportionately greater than the drop in non-farm prices will increase the government's subsidies to agricultural producers and so contribute a net increase of government funds to the income stream. Historically the normal migration of labor from farming to industry has tended to reverse itself during depressed periods and farmers have tended to increase agricultural output as prices fell. Consequently, there is a natural inclination during a depression for the prices of farm products to decline more rapidly and further than non-farm prices, bringing about an increase in support payments as the contraction develops. Thus, the farm price-support programs, according to this line of reasoning, contain a substantial measure of built-in flexibility.[21]

At one time these arguments may have possessed validity. During the first term of the Eisenhower administration, however, rigid price supports gave way to a flexible farm price-support system in which not only the support levels can be altered, within a range, at the discretion of the executive branch of the government but also the parity prices themselves are calculated on a more flexible basis. This encroachment of flexibility into the price-support system is a telling blow to its automatic stabilization potential. The program is still, in a way, capable of satisfying the criterion of being well-defined. Congress has only given the Administration discretion to alter support levels within specified limits. But in a fundamental sense, the discretion of the executive branch creates a situation in which it is difficult to hold expectations with relative certainty. The devices are no longer as assuredly installed on a relatively permanent basis and, because of the discretionary element, they are no longer closely tied to cyclically sensitive and conforming variables. Hence, the farm price-support programs lack an essential element of effective automatic stabilization—predictability of action—and, therefore, do not qualify as automatic stabilizers.

In Summary

No one, including Friedman whose automatic stabilization proposal is most innovationary, believes that built-in stabilizers can prevent a major cyclical movement, once under way, from causing severe hardships. The prevailing professional assessment is that the existing automatic compensatory arsenal is not very effective. The CED, in the present institutional environment,

[21] Maxwell, *op. cit.*, pp. 123-24, and Taylor, *op. cit.*, p. 538, rely on this argument. See also F. V. Waugh, "What Sort of Price Policy is Practical in the U. S. A.?" *Journal of Farm Economics*, December 1952, XXXIV, p. 608.

places more faith than most economists in the countercyclical strength of automatic stabilization measures.[22] Aside from the CED's position, Hart seems more favorably disposed toward automatic countercyclical efficacy than the remainder of his colleagues. Although he provides no analytical basis for his belief, Hart contends that built-in stabilizers can be counted on to set a floor to contractions.[23] Most economists are unwilling to go even this far. They assert that automatic devices "can only *temper*, but never *prevent* or fully counteract, a fluctuation in economic conditions."[24] An intuitively compiled weighted average of economic opinion on the efficacy of the existing battery of automatic stabilizers might be the following: the automatic stabilization features of the current fiscal system cannot be relied upon alone to dependably stabilize the economy. They are capable, certainly, of reducing the amplitude of the relatively mild swings in economic activity, they might conceivably provide a floor and a ceiling to these fluctuations, but in no event can they initiate an actual reversal of cumulative movements. The so-called Princeton Manifesto, indeed, seems to provide such a weighted average.[25]

It is possible that this "weighted average" opinion gives an overly pessimistic appraisal of the countercyclical potential of the built-in stabilizers—a pessimism stemming from failure to consider two important facets of the operating mechanism of the automatic devices. Most analysts do not consider the monetary element in the operation of the stabilizers. The ability of automatic stabilizers to alter the liquidity of the economy, while sometimes included in the list of criteria that automatic stabilizers must satisfy, has usually been omitted from the theoretical and empirical analysis of their compensatory role.[26] Nevertheless, monetary phenomena are essential to a realistic assessment of the capabilities of the existing built-in stabilizers.

The other neglected facet of the mechanism of automatic stabilization devices is their impact on the cyclical response pattern through their ability to cause adjustments in expectations. In view of the importance attached to expectations by the major cycle-minor cycle format,[27] there is a possibility, because of the stabilizers' effects upon anticipations, that an unappreciated measure of success is available to the built-in stabilization arsenal. Should the

[22] This faith apparently extends to the hope that built-in flexibility may be able to initiate the reversal of a minor-cycle contraction. See Herbert Stein, "Budget Policy to Maintain Stability," *Problems in Anti-Recession Policy*, pp. 88–89.

[23] Hart, *Money, Debt, and Economic Activity* (2d ed.), p. 492.

[24] Hagen, *op. cit.*, p. 173. A vast number of similar statements can be found in the literature, of which the following seem representative: Maxwell, *op. cit.*, p. 114; Gerhard Colm, "Fiscal Policy and the Federal Budget," *Income Stabilization for a Developing Democracy*, p. 246; and Egle, *op. cit.*, p. 54.

[25] U. S. Congress, Subcommittee on Monetary, Credit, and Fiscal Policies, Joint Committee on the Economic Report, *Monetary, Credit, and Fiscal Policies: Hearings*, 81st Cong., 2d Sess., 1950, p. 91.

[26] Colm has recognized the potentialities of this omission. *Op. cit.*, pp. 245–46.

[27] R. A. Gordon's most complete development of his major cycle-minor cycle hypothesis is found in "Investment Behavior and Business Cycles," *Review of Economics and Statistics*, February 1955, XXXVII, pp. 23–34.

liquidity and expectational aspects of the automatic stabilization mechanism be given a deserved place in the analyses of the countercyclical role of the automatic stabilizers it may be found that there is indeed some justification for believing that the less severe of the future fluctuations in economic activity will be remedied without recourse to discretionary measures and without undue economic hardship. At the very least a more realistic and theoretically up-to-date assessment of the efficacy of the automatic stabilization arsenal will be made available to policy makers.

THE OPTIMUM TREND OF PRICES

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Traditional approaches to macroeconomics have often taken for granted as a norm some kind of stable price level, either as a state of affairs that would come about naturally if no sins were committed against the canons of sound finance and sound money, or as a goal to be pursued through various monetary and fiscal measures by reason of its presumed advantages. Probably few if any are now left who would have much confidence that such a state would be reached without deliberate intervention by appropriate agencies, but there remain many who are willing to accept a stable price level as a desideratum without adequate inquiry into the specific advantages and disadvantages of this as compared with some other regime. It is time, I think, that we broadened the field of alternatives among which we choose, and give more deliberate attention to the possibilities that are opened to us if we are willing to consider the deliberate choice of upward or downward trends in the price level as alternatives worthy of serious consideration rather than as heresies to be dismissed offhand.

Traditional arguments in favor of a constant price level have included arguments that such a state, or a reasonably close approach to it, is a necessary prerequisite for general economic stability; that a stable price level favors correct economic calculation; and that it is necessary to the preservation of equity as between debtors and creditors and between differently situated economic groups generally. Upon examination, it turns out that given suitable auxiliary conditions, none of these advantages is exclusive to a stable price level, and that the decisive factors may be quite different in character.

Indeed, the concept of the stable price level has itself been given different interpretations. Some have written in terms of a stable level of product prices, or of a stable level of the cost of living; others have spoken in terms of a constant level of factor prices. Given some form of technological progress, the two necessarily give different results. Sir Dennis Robertson, for example, has on occasion expressed himself in favor of the stable factor price level, in part because he conceives that this would give the rentier and pensioner a greater share in economic progress. Keynes' use of the wage-unit as a numéraire in much of his analysis is another indication in the same direction, though this would not necessarily commit him to favoring factor price constancy. Most modern economists, however, tend to express themselves in terms of product price constancy, either because of the greater conceptual precision of the cost of living index and the focussing of attention on it generally, or from a recognition that in terms of labor union pressures for ever higher money wage rates and the other political realities of the current situation this is a more readily attainable goal than that of factor price constancy. There are thus already at least two major alternatives, and it is not too much of an extension to bring under consideration the whole gamut of possible price trends.

The argument will be easier to follow if we have explicitly in the background a specific simplified model, which can be called the "metastatic model." In such a model there is change and development through time, but no significant uncertainty. Mathematically speaking, it is a model exactly similar to a static model, except that the number of commodities and services has been multiplied by the number of time periods under consideration, so that in effect a given commodity at two different times is treated as two different commodities; storage of a commodity is a productive process converting the input of commodity at the earlier time into an output of the physically identical but economomically distinguished commodity at a subsequent time.

As a concrete realization of such a model, one can imagine, perhaps, a state where all producers and consumers have perfect knowledge of their own production possibilities and consumption preferences relating to inputs and outputs for all periods from the present to the indefinite future (or perhaps to some "horizon"); that an initial set of prices is announced for all goods for both present and for future delivery, implying specific rates of exchange between present and future commodities; that each consumer or producer then calculates his proposed purchases and sales at these announced tentative prices; that these plans are then assembled, aggregated and compared, and the discrepancies between aggregate supply and aggregate demand for each commodity at each time made the basis for a change in the announced prices. This process is then repeated, before any production or trading actually takes place, until by this series of Walrasian tâtonnements the system is brought into equilibrium, at which time contracts are confirmed for the future delivery of all commodities and services, the economic process is concluded, and nothing remains but the carrying out of these contracts. Given the absence of fraud, uncertainty, and ignorance, the plan so arrived at should be capable of being carried out; given further appropriate assumptions, not relevant here, the result should be Pareto-optimal.

In such an economy it is obvious that the real equilibrium will be unaffected by the choice of the numéraire in which the prices are expressed, or indeed if no one commodity is singled out for this role, provided that the system of exchange ratios announced is connected, so that an exchange ratio is implied between any two given commodities for delivery at any two respective dates, and consistent, so that no profitable arbitrage is possible. To make the model more closely relevant to a discussion of price levels and interest rates, we can specify that all intertemporal exchanges are performed through the medium of a "money" intermediary. That is, an exchange of commodity x to be delivered at time s, which we will call x_s, for commodity y to be delivered at time t, or y_t, is accomplished by first converting x_s into cash to be delivered at time s, or m_s, then trading m_s for m_t by lending or borrowing money, and finally buying y_t with m_t. The rate of exchange between m_s and m_t can be expressed in terms of a money rate of interest for the period from s to t; the rates of exchange ruling between x_s, y_s, z_s, etc., and m_s are components of the price level for time s, and similarly for time t. If m is pure money, having no intrinsic utility of its

own, then the equilibrium is obviously unaltered if all prices at time s are multiplied by a factor f, all prices at time t are multiplied by a factor g, and at the same time the rates of interest are altered so that the price of m_t in terms of m_s is increased proportionally to $^f/_g$, provided that storage of money is either prohibited or always unprofitable: money in this case is purely a money of account and not a currency or a medium for savings.

As long as money is purely a money of account, indeed, there is no particular difficulty in using that variant of the model in which money rates of interest are zero, with future price levels adjusted so as to preserve the same overall ratio of exchange between present and future commodities. Indeed, such a realization of the model would have a certain advantage in that price computations would be simplified.

As soon as money becomes a currency, however, the picture becomes slightly different. Depending on the particular financial institutions prevailing in a given economy, the holding of a stock of money over time may be necessary or convenient for the carrying on of trade, and there may be varying degrees of convenience and saving in expense in holding a larger stock than the minimum essential. If we adopt for the moment the assumption that money so held earns no interest, the money rate of interest is a measure of the cost of holding money rather than earning assets. A useful element to incorporate in the model at this point is Baumol's "inventory" treatment of the demand for cash balances,[1] according to which a rational consumer or producer will adjust his cash balances so as to minimize the sum of the loss of interest on these cash balances and the cost of the financial transactions[2] needed to reduce this average cash balance by shifting into and out of earning assets. The loss of interest will in turn vary with the price trend selected as the norm, since this would in turn affect the (short-term) money rates of interest.

Thus while the overall equilibrium of an economy with a constant price level and a five percent interest rate, corresponding to a five percent "real marginal productivity of capital" in equilibrium with a five percent "real marginal time preference" of consumers, might be roughly very similar to the overall equilibrium attained with a rising price level of ten percent per annum and a corresponding money interest rate of 15.5 percent, or on the other hand to that attained with a zero money rate of interest and a price level falling at a rate of about five percent per annum, the handling of cash balances will differ. In the inflationary economy, cash balances will be low, and considerable effort in terms of real resources will be expended in keeping them low; in the deflationary economy, financial transactions will be at a minimum, in that there will be nothing to be gained by putting cash into nonspeculative investments. The liquidity preference curve can be viewed as a demand curve for cash in some-

[1] William J. Baumol, "The Transactions Demand for Cash: An Inventory Theoretic Approach," *Quarterly Journal of Economics*, November 1952, 66, p. 545.

[2] Financial transactions are those engaged in for the purpose of adjusting cash balances or changing investment portfolios as distinguished from production transactions that are necessary to the securing of factors and the sale of products in a given institutional context.

what the same sense that we use in considering a demand curve for, say, cash registers and the area beneath the curve can be considered to be a form of consumers' surplus representing the benefits obtained from cash holdings over and above the interest price paid. Or in other words this curve can be thought of as a marginal productivity curve for cash, the productivity of an increment to the supply of cash being the saving in resources devoted to financial transactions that can be avoided if cash is more plentiful, or extra resources consumed in the speeding up of transactions through cable rather than mail transfers, and the like.[3]

When money is strictly a commodity money, efforts made to economize cash are productive in that they release capital resources for other uses that would otherwise be tied up in the costly money supply. The balance at the margin between the productivity of investment in additional monetary stock and investment of a corresponding amount in productive plant will vary according to whether the monetary commodity is one tending to increase in relative value (e.g., copper), and thus producing a falling price level, a low interest rate, and a large immobilization in monetary stocks with correspondingly low current expense of financial transactions, or whether the monetary commodity is one tending to fall in relative value (e.g., aluminum); the problem of what type of commodity to select for a monetary medium in such circumstances is an interesting one, but as it is irrelevant to the current situation it need not detain us here.

The successive invention of partial reserve banking and fiat currency have, however, created the possibility of expanding the supply of cash at substantially zero marginal cost. Under these circumstances any limitation of the supply of cash can be regarded as leading to a waste of real resources in the form of expenditures by individuals to conserve their limited supply of cash, such as extra trips to the bank, extra financial transactions, telegraphic transfers, and the like, all of which can be regarded in these circumstances as being unproductive, since they attempt to economize a good which has a cost of production of zero. The situation is analogous to that which arises when a tax is imposed on the consumption of an item which in the absence of the tax would be a free economic good. The area under the tail of the liquidity preference curve, from the ordinate representing the money supply out to the saturation point, can be considered a measure of this economic waste. To this extent, the lower the money rate of interest and consequently the higher the holdings of cash, the smaller will be the quantum of real resources needlessly used up in this attempt of individuals to economize cash, and the higher will be the real net product of the community from a given full employment input of factors. The effect is no less real, though presumably somewhat milder, if the loss imposed on the holder of cash is of the order of 3 to 5 percent per annum rather than the more drastic rates of up to 200 percent per day considered by Bailey.

[3] See Martin Bailey, "The Welfare Cost of Inflationary Finance," *Journal of Political Economy,* April 1956, 64, p. 93; we are here concerned with more moderate rates of inflation or deflation than those which Bailey discusses, though the difference is to some extent only one of degree.

Pushing this to the limit, however, leads to trouble from another direction. If the money rate of interest falls to zero, there is no incentive for individuals to hold gilt-edged securities rather than cash. To be sure, in the futures economy, this merely means that an individual who with a positive rate of interest would be actually lending to borrowers will instead tend merely to hoard his cash, so that to preserve an effective supply of money to would-be borrowers at a zero rate of interest some separate mechanism would have to be instituted. The only significant difficulty that would arise in the strict futures model is that the price adjustments that will be required in the course of the Walrasian "tâtonnements" will now have to be made in terms of raising or lowering the entire set of prices in effect for deliveries at a given time so as to adjust excesses or deficiencies of aggregate demand at that time, rather than by adjusting the rate of interest, i.e., the rate of exchange between cash for different delivery dates.

If, however, we turn to a slightly more realistic model in which the adjustment of interest rates has a role to play in the equilibrating process, the attempt to economize on transaction costs by expanding the money supply to the point where interest rates fall to zero is likely to create difficulties. Consider for example a model in which instead of assuming that the future is known with certainty we merely assume that expectations have a "certainty equivalent," i.e., that there is some pattern of expectations such that it would be rationally consistent with the observed behavior of individuals that they should hold these expectations with complete certainty. This certainty equivalent expectation may, in the event, not be realized, but we assume for the purpose of this model that repeated failure to realize what was previously expected with certainty nevertheless fails to discourage the formation of certainty-equivalent expectations with respect to the future, i.e., that no hedging against possible surprise takes place. Suppose further that the money supply for all future dates is rigidly and exogenously determined, and that we start from an equilibrium in which price expectations and this programmed money supply are compatible with a zero rate of interest.

If now there is any accidental occurrence that leads to an upward shift in short-run price expectations, i.e., a reduction in the rate at which prices are expected to fall, this would tend to result in the acceleration of all kinds of purchases, ranging from investment to advance consumer buying. Given the very large supply of money with which the system would be starting, this increased volume of purchases would be possible with only very slight absolute increases in the velocity of circulation, and would encounter little if any restraint through increased interest rates or other forms of credit restraint. In the absence of adequate corrective measures, this increased demand would tend to touch off further upward deviations in prices from the long-term norm that would be likely to get completely out of hand unless counteracted by extremely prompt and well-calculated monetary or fiscal measures.

To be sure, a similar self-reinforcing movement is also possible starting from equilibrium situations higher up on the liquidity preference curve with higher interest rates, but in this region the demand for money is less elastic, and

the amount of money in circulation is relatively smaller, so that shortages of liquid funds, tightening of the money market, and rising interest rates would be likely to contribute substantially to the dampening of the surge, and less drastic corrective measures may suffice to restore equilibrium.

On the downward side, starting again from a zero-interest equilibrium, development of abnormally pessimistic expectations (i.e., more pessimistic than the standard downward trend) would lead to even greater difficulty. There would be no possibility for the resulting contraction of demand and further downward deviations to be corrected or even abated by further easing of the supply of funds or reduction of interest rates, given institutional arrangements in which a significantly negative money rate of interest is not possible. While it is conceivable that a fiscal policy operated with the utmost flexibility and sophistication might be able to keep the economy in balance along this zero-interest tightrope, prospects for this in practice would be almost nil even under the most favorable conditions. Even if it could be done, the constant revision of tax rates or government expenditure programs that this would require would give rise to a confusion more costly than the transaction expense that the zero interest rate is intended to economize.

It may be remarked in passing that while few economists have directly considered a zero-money-interest economy as a desirable or feasible norm in any proximate time period, it is at least at least theoretically conceivable that a policy of constant factor prices, which some have actually considered as a possible norm, might run into substantially similar difficulties. For example, if progress from innovation is sufficiently rapid and sufficiently capital-saving to bring the marginal productivity of capital, in constant product prices terms, down to below the rate of increase of real factor incomes, then the marginal productivity of capital expressed in terms of constant factor prices would be negative! In theory, at least, this could happen even if aggregate savings and net capital formation were themselves zero or even negative. Even though in the world as it happens to exist today a constant factor-price level economy might be reasonably workable and lead to a positive rate of interest, the fact that it is possible to imagine circumstances where this standard would become unworkable casts considerable doubt on the desirability of insisting on adherence to this standard.

Even if it were possible to conceive of fiscal policy as being able ultimately to keep the economy moving along the zero-interest path in a reasonably steady manner, it is to be doubted whether the mere economizing in financial transactions is a sufficiently important objective to justify the other sacrifices involved. For example, if such a course were followed, monetary policy as a control over the course of the economy would have to be very largely given up. This would be a grave disadvantage, not only from the point of view of the relative flexibility and ease of application of monetary as compared with fiscal controls, but also from the point of view of preserving certain desirable differential effects obtainable by judicious combinations of monetary and fiscal policy.

The level of normal money interest rates has indeed a crucial influence on the effectiveness of monetary policy. It is not unreasonable to maintain that the main effect of monetary expansion or contraction on the economy is felt through the consequent changes in interest rates and their influence on ex ante savings and investments; or at least that the intensity of any direct effect through the tightening or loosening of other terms of credit is in fairly direct proportion to the tendency of such changes to produce changes in interest rates. Monetary policy can always ultimately check a boom if pursued vigorously enough, but only at the risk of not being able to stop a collapse if the mark is overshot; monetary contraction can push monetary interest rates up almost without limit, and can thus drastically inhibit investment, but monetary expansion cannot push interest rates below zero, or indeed below a figure somewhat above zero, so that the encouragement that it can give to new investment is strictly limited.

Now the lower the normal money interest rate, the more elastic the demand for money, and the greater the volume of monetary action required to produce a given interest rate differential. More important even, the lower the normal money interest rate, the smaller will be the possible range of reduction in interest rates which constitutes the margin of action available for the correction of downward tendencies, and the greater the likelihood that a downward tendency will develop a momentum too great for this margin of action to counteract, before the monetary controls can be brought to bear. Preservation of the effectiveness of monetary policy on the downward side and of the possibility of delivering an adequate monetary stimulus to the economy requires that the normal money rate of interest be kept high enough to keep a sufficient margin for stimulating action. Moreover, readiness to use monetary action freely against upward deviations may depend in large measure on the effectiveness of a reversal of policy in case the mark is overshot. Given the real situation of the economy, with a given real rate of interest, monetary policy will be more effective with a rising price level as the normal program, with its consequent high money rate of interest, than if the norm is a constant price level with a rate of money interest equal to the real marginal productivity of capital, and similarly more effective where the norm is a constant price level than where the norm calls for a falling price level.

Monetary policy is not only easier to apply on short notice than fiscal policy, it has important differential effects. The objectives of social policy involve several parameters, such as full employment, the appropriate division of activity between private and government enterprise, and a desired division of the national product between current consumption and capital formation. To permit control over all of these parameters, a corresponding number of control parameters must be available. In this case we can exercise control over the quantity of money (or the rediscount rate and the price of government bonds, but not both), the deficit on current account, and the volume of public expenditure. Monetary policy cannot be surrendered as an effective tool of control without restricting the range of attainable objectives.

For example, full employment can be achieved either with a level price trend, a large budget surplus, and low interest rates, or with a level price trend, a large deficit, and high interest rates. Private capital formation will be higher, and consumption lower, in the first case than in the second. If monetary policy and fiscal policy are both effective, a choice can be made between the two allocations of real output. But if the price level is to be kept constant, there is a limit to the degree to which policy can be shifted towards lower interest rates and a correspondingly higher budget surplus without impairing the effectiveness of monetary policy, and a somewhat broader limit to what can be brought about at all. Thus there are limits to the magnitude of the budget surplus (or minimum deficits, under some circumstances) that cannot be transgressed without making the maintenance of full employment difficult if not impossible. It is quite possible that insistence on a level price trend as a norm may greatly restrict the choices that can be made on matters of real significance, i.e., that it may impose a limit on the amount by which resources can be directed to capital formation through private channels, and a much more severe limit on the extent to which this can be done without impairing the promptness and reliability with which the available controls can correct deviations from the desired path resulting from random or exogenous shocks to the system.

There may thus be considerable advantage in having an economy geared to a constantly rising price level, in that a wider range of choice is possible concerning the proportion of the national income to be devoted to capital formation. And even if the desired rate of capital formation happens to fall within the range of rates attainable with a level price trend, a rising price trend norm with the same real disposition of the economy may be more stable and more amenable to the use of the more flexible monetary controls.

It can of course be argued that in practice no one would want to promote capital formation to such a degree that under full employment conditions the real marginal productivity of capital would be brought down to levels where maintenance of a constant price level would imply that monetary policy would lose its effectiveness. This may in fact be the consensus, but to foreclose the issue by insisting on a level price trend is to risk forcing the decision on the wrong basis. It may be, to be sure, that it would not be desirable to continue investment to the point where the marginal efficiency of investment drops to zero, and it might be maintained that the lower limit of the money rate of interest is so close to zero as to make little difference. But even if one were satisfied that the level of investment should be pushed only to the point where the marginal efficiency of investment is three or four percent, this is not the whole story, for the marginal social efficiency of investment may exceed substantially the marginal private efficiency. This would be the case generally, for example, where competition is imperfect and the demand for the products of the investment less than perfectly elastic; moreover, even under perfect competition, there may well be a generalized tendency for investment to involve significant external economies. To be sure, where there are specific external economies that involve investment, it may be possible for a govern-

ment to deal with this more specifically and directly by appropriate subsidy. It is likely, however, that a general subsidy to investment such as through low real rates of interest associated with the promise of a rising price trend would be at least as appropriate as any other form of general subsidy, and in many cases easier to administer, less discriminatory, and more pervasive in its effects. Certainly the opponents of centralization and of the extension of specific government control have reason to prefer this method to that of specific subsidy or to that of direct government investment in public enterprise. Not, again, that these should necessarily be excluded, but rather that the decision between public operation, specific control, or general stimulus should be made on the merits of these respective policies in their own areas, and should not be preconstrained by prejudices as to appropriate norms of price trends.

These considerations are particularly pertinent to the situation of many underdeveloped countries where very high targets of capital formation are aimed at, justified by the pressure of population and the need to surmount the Malthusian hump. One of the attractions of Communism to such countries is that it permits a higher rate of capital formation, relative to the national product, to be maintained than can be achieved in terms of the traditional formulae of liberal capitalism. If free enterprise is to compete with Communism on this score, or even if a mixed economy is to be operated in a rational and integrated manner, acceptance of a rising price trend as a permanent and deliberate policy may be an essential prerequisite. A further contributing factor related to the need for a rising price trend in these countries is the fact that capital markets are relatively poorly organized and investors have relatively fewer facilities for evaulating the risks attached to various investments, so that the limits below which it is difficult to push interest rates are considerably higher than in more highly organized countries. Since risk of loss to the investor is often not entirely a reflection of risk of social loss from an investment, low real interest rates are again more likely to require a rising price trend to make them effective.

It is worth emphasizing again what was perhaps only implicit in the metastatic model upon which all this is based: that it is a planned, announced, and as far as possible guaranteed rate of inflation that is in question here. Inflation that is the mere by-product of the inadequacy of half-hearted attempts to halt an inflation that is publicly condemned as unwanted will not do, since then investors in equity interests merely reap a windfall that they had no very clear expectation of obtaining and which played relatively little role in inducing them to invest. Rather, what is wanted is the announcement to the investor, and so far as possible the guarantee to him, that he will be able to sell his product in a market in which prices generally are rising steadily, and that if he borrows to expand his investments he will be able to repay principal and interest in gradually depreciating currency.

There are of course certain mechanical objections to a price trend that is rising too rapidly. If inflation requires the revision of price lists more frequently

than is otherwise appropriate, then the cost of this operation, which may in some cases be considerable, is a disadvantage; of course, a mere percentage adjustment is not so serious a matter as a general revision, but it may be a nuisance. More serious is the matter of conventional prices: candy bars, coin machines, and the like, where a substantial price trend would involve frequent adjustments at considerable expense. Economic calculation also tends to become more difficult for the average consumer if there is a continual revision of the level of prices going on so that he must be continually revising his conception of what an appropriate price for a given item is. For economists, statisticians, and accountants, there is the resulting greater need for general deflation of money figures in order to obtain a picture representing the underlying real phenomena. And over the long pull there is the cost of revising the coinage.

So far we have passed over lightly what most discussions of inflation take to be the most important and even crucial point: the devaluation of savings. Under the assumptions of the metastatic model, however, interest rates are adjusted, and all contracts are entered into in the light of the fully anticipated inflationary price trend, so that there is no inequity involved. There may, to be sure, be some redistribution of income as between property owners and recipients of earned income, as the real rate of interest may be adjusted in accordance with the changed equilibrium involving a lower marginal productivity of capital, but this is a general adjustment between property and labor as such, and involves no discrimination between debt and equity holders, nor any greater disappointment of expectations than occurs with a level price trend.

Actually of course one must start from an existing situation, where in general there will be multitudes of long term contracts in force calling for the payment of money at future dates, most of them entered into on the basis of a tacit assumption of a reasonably level price trend, and a policy change must at least consider this initial state. There are at least three possible courses of action: the simplest but least equitable would be to go ahead with a deliberately inflationary policy without any adjustment of contracts, and so ignore the resulting inequities. A second possibility would be to require, at the time the deliberately inflationary policy is inaugurated, that all contracts for future payments of money outstanding shall be adjusted to take account of the changed policy regarding the future value of money. A third is to postpone the onset of the inflationary price trend to a set future date, with the hope that payments after that date involved in presently outstanding contracts would be sufficiently unimportant to be ignored, and the assumption that contracts entered into after the announcement of the policy, even though prior to the onset of the inflation, would take full cognizance of the proposed change in policy. None of these alternatives is particularly attractive. The inequities produced by the first alternative would be serious, at least if the rate of inflation adopted were fairly substantial; the second involves a rather formidable accounting adjustment at a particular time, and might be difficult to get carried through in any uniform or smooth manner, while the third involves a commitment a long time in advance to make a specific change in policy at a specific future date, a commitment that

it would be difficult to make in terms that would not only ensure its being in fact carried out at the appointed time, but would also inspire general confidence as to its being carried out.

There is perhaps a fourth possibility to be explicitely considered, which is that a gradual shift may take place from a policy of stable prices to a policy of allowing a certain amount of inflation to take place by default, resulting in a poorly defined but generally rising trend of prices over a period of years, so that disappointment of expectations would be spread out over a sufficient period of years to be tolerated, with the eventual result of an established rising price trend that is fully anticipated. Something of this sort may indeed have happened in some Latin American countries, and this experience is not to be written off as unlikely elsewhere. Such a development may in many countries be considered the most likely alternative to a continued and partially successful attempt to preserve a stable price level.

The above has been in terms of a closed economy. An open economy that attempts a policy of deliberate inflation for the sake of better control over the course of domestic affairs will, of course, have to permit exchange rates to have a similar trend, which might cause difficulty in view of present prejudices against devaluation as an unfair means of competing in international trade. A far more serious difficulty occurs if an attempt is made at the same time to stimulate investment in the domestic economy to the extent of driving the real marginal productivity of capital domestically down to a low level. If this is done there will be a tendency for domestic capital to move abroad. In the context of a perfectly competitive system there would perhaps be no objection to this: indeed, the profits that such capital could earn abroad would presumably be greater than the profits obtainable domestically, and the net result would be a greater increase in the national income inclusive of the earnings on foreign investment, than would have been obtained through strictly domestic investment. But in the absence of such perfect competition, and especially in underdeveloped countries, the tendency for such capital to go abroad would forfeit the indirect benefits accruing from the external economies that would flow from the investment of such capital domestically. This result would, however, tend to follow any program that attempted to push investment farther in one country than in the rest of the world to the extent that the marginal private productivity of capital falls below the yields obtainable elsewhere.

Even if one is dealing with a virtually closed economy, such as the United States, and were planning on a *tabula rasa* where there are no outstanding contracts for future payment of money, it is by no means clear what should be recommended. The advantages of a high money rate of interest for stability purposes are to be offset against the real costs of the resulting needless attempts to economize cash balances, and the costs of more frequent price adjustments. Moreover a level price trend is unique in a way that no other price trend is; it has a certain air of rightness about it that is perhaps the modern counterpart of the aura attached to the gold standard. Politically and practically it may be far easier to resist temptations to allow deviations from a level price trend than

comparable deviations from an established rate of inflation, and particularly it may be easier to inspire confidence in a money that is to be kept at a constant purchasing power, than to inspire a comparable degree of confidence that a rate of inflation will be maintained within comparable limits, even though in fact the resources available for maintaining the stipulated rate of inflation are more effective than those available for maintaining a stable price level.

There is a way of partially reconciling the opposite aims of a high money rate of interest for control purposes and a large supply of cash to minimize the cost of financial transactions, and that is to allow interest to be paid on cash balances. This cannot be done with currency, but there is no particular difficulty to allowing interest on checking accounts; indeed a form of interest in kind is in effect allowed now in terms of the way service charges are computed. Costs involved in the economizing of currency are probably inevitable, but those involved in the economizing of checking account balances are probably minimizable in some such way as this. In any case the demand for currency is probably much more nearly controlled by the risk of theft or loss than by the loss of interest involved, and it is doubtful whether there would be much of a reduction of the currency in circulation if interest were paid on checking account deposits but not on currency.

Deliberate and planned inflation is in a sense merely another way of looking at the same problem as was tackled by Gesell, Dahlberg, and others in proposing various forms of "demurrage money." If money is thus made perishable, it becomes possible to drive the money rate of interest below zero, and monetary policy regains its effectiveness without involving any of the equity questions that arise with the introduction of an inflationary price trend. The practical difficulties of a demurrage money seem insurmountable, however, in that most schemes for collecting a tax on cash holdings seem to involve so much trouble as to greatly impair the usefulness of currency as a medium of exchange.

However the problem is approached, the difficulties are certainly such as to cause us to be cautious in our approach; I would certainly not want to recommend the start of a program of deliberate inflation tomorrow, or even a year or two from now. But it is high time that we broaden the scope of the programs we are willing to entertain as respectable candidates for adoption. The desideratum is not necessarily a level price trend, but a price level whose future course can be predicted with as small a margin of uncertainty as possible. An inflationary price trend may well turn out in the long run to meet this requirement better than a stationary one.

SOME EFFECTS OF SELECTED POLICY PROGRAMS ON AGRICULTURAL LABOR MOBILITY IN THE SOUTH[1]

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A review of major agricultural policy treatises written over the last two decades would suggest that economic policies of the type designed for agriculture generally have (or have had) the effect of slowing down farm-labor mobility.[2] Nationally, this may be the instantaneous or short-run effect of such clearly designated agricultural policies as production control (under its various pseudonames) and price-support programs. But these conclusions are not so apparent if we examine individual regions such as the South, and if we concern ourselves with long-run effects. In addition, other policies (viz., monetary, fiscal, national defense, research, educational, etc.) and programs related to agriculture may be much more important and override both production control and price supports in their positive or negative effects on farm-labor mobility in the South. Relative to those other policies (e.g., monetary, fiscal, research, etc.), both those designed specifically for agriculture and those relating to the general economy, the net effects of agricultural production and price policies on labor mobility have not been too important in most areas of the South.

EFFECTS OF PROGRAMS AND POLICIES ON LABOR MOBILITY

We propose that farm price and production policies (1) have sometimes been as conducive to a transfer of labor to nonfarm employment as to freezing it in agriculture, and (2) are entirely dominated by other public policies and economic development in these respects. More important than the effect of agricultural production and price policies in retarding labor mobility are

[1] This is a revised draft of a paper presented at the Memphis meeting of the Southern Economic Association, November 8, 1957. This paper was developed while Dr. Heady was working on a special project for TVA in Knoxville, Tennessee. Appreciation is extended to our associates and colleagues who have critically reviewed this paper. Listed as journal paper J-3278 of the Iowa Agricultural Experiment Station.

[2] James H. Street, *The New Revolution in the Cotton Economy* (Chapel Hill, N. C.: University of North Carolina Press, 1957), Part III; T. W. Schultz, *Production and Welfare of Agriculture* (New York: Macmillan Company, 1950), Chap. 13; Murray R. Benedict, *Can We Solve the Farm Problem?* (New York: Twentieth Century Fund, 1955), pp. 42–43, 50–83, 491–494; O. B. Jesness, ed., *Readings on Agricultural Policy* (New York: Blakiston, 1949), Chaps. 10–20; Harold B. Rowe, "Economic Growth and Agricultural Policy," *Journal of Farm Economics*, May 1936, Vol. 38, pp. 238–249; H. E. Erdman, "Progress Calls for Readjustment," *Journal of Farm Economics*, February 1954, Vol. 36, pp. 22–29; J. Carroll Bottum, "The Farm Income Problem," *Farm Policy Forum*, Winter 1954, pp. 2–6; Don Kaldor, "Moving Resources Out of Agriculture," *Farm Policy Forum*, Fall 1954, pp. 31–36.

the facts: (1) farm policies have made little contribution to solution of the basic economic problem of agriculture in a growing economy and (2) the same funds could be used for other programs which have a more rapid and direct effect in encouraging labor mobility and industrialization, and in increasing incomes of families now on farms.

An effective monopolistic production policy, direct and indirect price subsidies applied to agriculture, would tend to hold labor on farms. It would increase the value productivity of resources used in agriculture to the extent that it is effective in increasing price and revenue. If the condition existed where resources were allocated to agriculture in a manner as to equate marginal value productivities in this industry with those of nonfarm industries, then the initiation of production and price policies of the type now being applied to agriculture (which increased returns to resources in agriculture), would tend to draw capital into agriculture, and perhaps labor, in the short run. But it is known that the marginal value productivity of labor in much southern (and U. S.) agriculture is less than that of other industries, and that the agricultural programs do not draw labor into agriculture. Labor migrated from southern agriculture at a rapid rate during the 1940–1950 decade.[3] Present estimates for population transfers in the South for the years 1950–1956 indicate a greater rate of movement than the 1940–1950 decade. During the 1950–1956 period, the estimates indicate that the South led all other regions, with a farm population decrease of 14 percent.[4] This has been a consequence of the great excess of births over deaths, low farm income, and the lack of employment opportunities within southern agriculture. This rapid migration of labor from agriculture to nonagricultural work opportunities has been stimulated by the continued economic growth over the Nation as a whole, as well as the rapid industrial growth in the region. Expanding nonfarm employment opportunities, at wage rates far exceeding labor returns on a very large proportion of the farms of the region, have served as a magnetic force in drawing labor from farms. Perhaps the rate of labor transfer, from farm to nonfarm employment, has been only slightly less than the amount which could be assimilated in an orderly manner into industrial and community structures. Hence, the appropriate question to be examined would be concerned with the relative effect of agricultural policies on the rate of labor movement out of agriculture, rather than with a decision as to whether these policies have served as an absolute barrier to labor mobility.

Major Programs Which Might Retard Migration

Tobacco program—Agricultural production and price policies which have affected labor mobility in southern agriculture are mainly those which relate

[3] "Farm Population," *Statistical Bulletin No. 176* (Washington: U. S. Department of Agriculture, June 1956); "Farm Population," *AMS-102* (Washington: U. S. Department of Agriculture, April 1956).

[4] Joe R. Motheral, "The Impact of Current National Policy on Southern Agriculture: The Human Element." This paper was presented at the Annual Meeting of the Association of Southern Agricultural Workers, Birmingham, Alabama, February 4, 1957.

to cotton and tobacco, although those for rice and peanuts also are of some importance. These policies have been most effective in increasing farm family incomes in the case of tobacco. Considering the role of the tobacco enterprise as the main source of cash income on a large number of small, low-income farms over the region, the short-run effects were certainly those of holding some people on farms. On these farms where both cash and real incomes are extremely low, and where part-time farming provides very little supplemental revenue, cash income made possible by tobacco allotments does provide a necessary means of subsistence for many older persons. By causing the total tobacco acreage to be dispersed widely over many farms, many older farm people who are satisfied with "the rural way of life" are able to remain in agriculture. If the tobacco program were abolished, the competitive effects would remove or greatly lessen this cash income source for many low-income families, forcing some to look elsewhere for employment. Furthermore, since many of these low-income farmers now are able to remain in agriculture because of the cash income made possible by their tobacco allotment, they prevent an expansion in farm size and an increase in productivity by other labor units in the locality. Abolishment of quotas would likely "squeeze out" many of these farmers operating small units who are able to "hang on" because of the cash income from tobacco quotas. However, it is questionable whether the addition of many of the older farm operators who do not have industrial skills (possessing their particular fashions of living and value systems) would make important additions to the industrial labor force, or to the community life of urban centers.

These subsistence-oriented adults do, of course, have children whose abilities are flexible and adaptable. They can be incorporated more readily into the stream of the industrial labor force and urban living patterns. However, it is extremely doubtful that the tobacco program *per se* has had any important effect in holding these potential members of the nonfarm labor force on farms. Revenue arising from the tobacco program has largely been capitalized into land values. Rents have also absorbed benefits of this program, especially under crop-share arrangements. This condition has resulted in difficulty in attracting tenant farmers in many areas having higher off-farm wage opportunities. Hence, a young person with a given amount of capital and labor, making a decision on whether to farm, gains no premium return to his "resource-mix" because of the program. In the absence of the present tobacco program and with lower land values, a young prospective farmer could acquire more acres and have about (or perhaps exactly) the same return from his limited and the same amount of capital. Thus, because the tobacco program has been in existence and its income effects have been capitalized into land values for such a long period of time, the program *per se* now has no more than minute effects on mobility of persons entering the nonagricultural labor force. Futhermore, many of the younger farm families having tobacco quotas are on part-time farms with labor already transferred to nonfarm uses. They would continue so in the absence of a tobacco program, although a minority

might be required to transfer to relatively more remunerative employment opportunities at other locations if they were to maintain their living standards. With effective acreage quotas having existed for over two decades, recent reduction in allotments for tobacco[5] probably serve to slightly encourage movement of labor from agriculture.

Cotton program—In the main cotton areas of the South, recent production and price policies probably have had the short-run effects of both holding some labor in agriculture and pushing other labor out of agriculture.[6] On sharecropper farms over the Mississippi Delta, for example, reduction in cotton acreage also is a "reduction program for sharecroppers."[7] The smaller allotment sometimes is divided among the same number of families in the first year or so. But with reduced incomes and labor requirements resulting from improved technology used in cotton production, many farmers certainly are encouraged to seek other employment in the following year or two. Reductions in the number of sharecroppers in some localities over the recent past suggest that, among other forces, a reduction in cotton acreage has been very effective in causing sharecropper families to leave agriculture.[8]

Policies Promoting Migration

Differential effects on small and large farms—In general, agriculture of the Southeast is characterized by relatively high proportion of small, low-income farms.[9] Production and price policies have contributed little to their incomes relative to the gains of larger commercial farms in other parts of the country. The slight increments made to income have not closed the gap between resource returns in farming and those possible from nonfarm employment. Considerations other than differences in dollar income (or lack of truly positive economic and educational policies) have led many people to remain on these low-income, low-productivity units.[10] To some extent, policy changes of the

[5] The average allotment for flue-cured tobacco decreased from approximately 5 to 4 acres from 1954 to 1956. In the burley area, the average allotment decreased from 1.25 to 1.0 acres from 1954 to 1956. Source: "Annual Report on Tobacco Statistics, 1956," *Statistical Bulletin No. 200* (Washington: U. S. Department of Agriculture, March 1957), Table 4, p. 21.

[6] James H. Street, *op. cit.*, chap. 13.

[7] Cf. Joe R. Motheral, *op. cit.*, p. 3.

[8] J. W. Fanning, "Impact of Current National Policy on Southern Agriculture: Farm Income and Employment." This paper was presented at the Annual Meeting of the Association of Southern Agricultural Workers, Birmingham, Alabama, February 4, 1957.

[9] Cf. Special report prepared for the Secretary of Agriculture titled *Development of Agriculture's Human Resources* (Washington: U. S. Department of Agriculture, April 1956); E. C. Davis, "Low-Income Farm People: A Selected List of References," *Library List No. 62* (Washington: U. S. Department of Agriculture, 1955); G. V. Douglas and A. B. Mackie, "Some Social and Economic Implications of Part-Time Farming," *Report No. T 57-1 AE* (Knoxville: Tennessee Valley Authority, June 1957); Louis J. Ducoff, "Trends and Characteristics of Farm Population in Low-Income Farming Areas," *Journal of Farm Economics*, December 1955, Vol. 37, pp. 1399–1407.

[10] Cf. *Development of Agriculture's Human Resources, op. cit.;* Olaf Larsen, "Sociological Aspects of the Low-Income Problem," *Journal of Farm Economics,* December 1955, Vol.

recent past (i.e., reductions in tobacco and cotton allotments) have probably hastened the decision of many families to abandon the operation of small, full-time, low-income farms. Certainly, the outcome is different from that on farms of the Great Plains or Cornbelt, where money income is a more important determinant (where farm families are more sensitive to differentials in farm and nonfarm returns), and where Soil Bank payments and price supports provide sufficient income to cause many families to remain in agriculture. If we add to these low-income farms in the South the extremely large number of part-time farms which already provide labor to the nonfarm labor force, it becomes apparent that current production and price policies *per se* have only trivial effects on the rate at which underemployed farm labor transfers to nonfarm opportunities. The truly commercial general farms, which lie outside of these two categories, would generally remain in existence in the absence of production and price policies. Given recent trends in mechanization, it is quite likely that recent reductions in allotments for crops of the region cause these larger farms to seek expansion as a means of using machinery efficiently.[11] Here the effect is definitely one of forcing people out of agriculture. Certainly the transfer from farm to nonfarm employment has been great since 1945. It has been even greater than that indicated by migration data based on census figures, when developments in the part-time farming are considered.[12]

Public investment in agricultural research—Another definite policy of agriculture has been public investment in technological research. Whereas our agricultural education has not provided a sufficient "push" in causing farm labor to be attracted to improved employment opportunities, the effects have again been dominated by our public policy of supporting agricultural research through the land-grant college system and the USDA. Indeed, the major accomplishment over the last three decades of this public investment has been to free labor from agriculture. In the past 20 years, physical productivity of labor in agriculture has almost doubled as a result of additions of capital investments and improvements in the techniques of production. Since the elasticity of food consumption relative to population is unity, while the price and income elasticities of demand are much less than unity, this doubling of labor productivity has forced an increased rate of labor migration from agriculture. The great difficulty, of course, is the fact that we have not provided educational and employment services which facilitate a rate of transfer which compares with the rate at which labor has been freed through public investment in new technologies.

The rate of technological improvement in southern agriculture has generally lagged behind that of other regions. Part of this lag is a function of the im-

37, pp. 1417–27; C. R. Pugh and C. E. Bishop, "Effects of Industrialization on Incomes of Farm and Non-Farm Households," *A. E. Information Series No. 46* (Raleigh, N. C.: North Carolina State College, September 1955), pp. 26–30; Harold F. Kaufman, "Rural Families with Low Incomes: Problems in Adjustment," *Sociology and Rural Life Series No. 9* (State College: Mississippi State College, February 1957).

[11] Cf., James H. Street, *op. cit.*, Part 2.

[12] "Farm Population," *op. cit.*, pp. 41–51.

perfect capital market and the fact that relatively fewer farmers have been able to invest in new techniques, even after they were perfected. In addition, the low wage rate has encouraged continued use of labor technology, as compared to innovations which cause substitution of capital for labor. But an important lag also had existed because land-grant colleges in the South have had fewer funds and personnel than in other regions for developing new techniques. This gap has been closed somewhat in recent years, and the immediate outlook is for a continuance of this trend. Thus, with prospects that the tempo of technological improvement will be accelerated in the South, which has the greatest surplus farm population, a pressure for labor transfers will continue more strongly in this region than elsewhere in the Nation. Hence, wage rates likely will continue to lag below those of other industrial areas, and continued industrial growth in the region will be encouraged. Prospects are that the public policy of investing in new agricultural technologies will more than offset current public investments in farm subsidies as a means of freeing labor from agriculture and in pushing it into nonfarm employment.

Effects of nonagricultural programs and policies—For all basic commodities of the South, we propose that agricultural production and price policies have had only trivial effects in retarding farm labor mobility. Other policies have been dominant in encouraging mobility in some areas and in discouraging it in other localities. Without doubt, monetary and fiscal policies encouraging continued economic growth and full employment in the region, as well as for the Nation as a whole, have had overriding effects in channeling labor from farms to industrial employment.[13] Over the Tennessee Valley region, the catalytic effects of TVA power on industrial development alone have provided employment opportunities and economic incentives which more than offset the income effects of farm programs. Certainly, the total effects of recent monetary and fiscal policies in regard to employment opportunities and wage levels, have had greater magnetic force than the small increments to income of the agricultural programs mentioned above.[14]

There is no evidence which would indicate that the migration rate of farm people should have been significantly greater in the recent past, considering the rate at which nonskilled jobs were being created, the speed with which public services such as schools could be provided, and the rate

[13] Kenneth L. Bachman, "Economics of the Low-Income Farm Problem," *Journal of Farm Economics*, December 1955, Vol. 37, p. 1411; C. E. Bishop, "Part-Time Farming and the Low-Income Farm Problem," *Journal of Farm Economics*, December 1955, Vol. 37, pp. 1428–1435; Vernon W. Ruttan, "The Impact of Urban-Industrial Development on Agriculture in the Tennessee Valley and the Southeast," *Journal of Farm Economics*, February 1955, Vol. 37, p. 47; C. E. Bishop "Economic Development and Adjustments in Southeastern Low-Income Agriculture," *Journal of Farm Economics*, December 1954, Vol. 36, pp. 1146–1158, and Discussion of Dr. Bishop's paper by Vernon W. Ruttan, pp. 1158–1160.

[14] An interesting treatise on the effects of national income policy on agricultural employment and migration is presented by Howard L. Parsons, *The Impact of Fluctuations in National Income on Agricultural Wages and Employment* (Cambridge: Harvard University Press, 1952).

at which increased population facilities (e.g., housing, etc.) could progress in growing industrial centers. If we consider educational programs as part of current policy, which they certainly are, then lack of a more positive approach here has been more important than acreage control and agricultural price policies in retarding movement of labor as fast as it could be handled by growth in employment opportunities, public services, housing, and the like.

Programs Which Could Promote Migration But Which Are Now Inadequate

Educational programs—One of the greatest current needs is a reemphasis in vocational training and extension youth work. The *current emphasis* in these programs is to contact more farm youths and to encourage them to become better farmers in their home communities. The *needed emphasis* is to provide vocational guidance which directs more farm youths into their most promising off-farm occupational opportunity. We do a farm boy a disservice by encouraging him to become a farmer, when the resources which he possesses and the economic situation facing him can only provide a meager living. More than by any other program, the long-run solution of the farm problem will come from a downward adjustment in the number of farm youths who enter the farm labor force, and an upward adjustment in the number who initially transfer to nonfarm occupations. Certainly our failure to "come abreast of the times" and provide these important types of education for agriculture is more important than current agricultural price policies in retarding farm labor mobility, particularly in a region where farm incomes and returns on labor in agriculture are much lower than income and wage rates from employment in the industrial sectors of the economy.

The extension services in the Tennessee Valley are becoming cognizant of the need for training rural youth to become better acquainted with the mechanics of our over-all economic system. For the past two years the extension services in the seven Valley states, in cooperation with TVA and the Association of Valley Test-Demonstration Farm Families, sponsored encampments for senior youths in 4-H work at Fontana, North Carolina, where over-all resource development in our expanding economy was studied. These youth representatives are subsequently given the responsibility of discussing various phases of general economic development problems at community meetings in their home counties. The Kentucky Agricultural Extension Service, for example, developed a general resource development 4-H project for its rural youth. As these nonagricultural educational activities expand, 4-H Club members should secure a better understanding of the basic forces governing the economic outlook for agriculture. Once this understanding is developed by rural youths, they will be in a sounder position to analyze their own situation for future employment with respect to available resources, talents, and desires.

Employment Services—It is probable that the failure of our public employment services to focus more attention on the particular problems of agriculture does more to retard the movement of labor from farms than do our current

farm income subsidies. The state employment services and the Bureau of Employment Security have no special programs for farm people, although the major transfer problem in a period of full employment such as we enjoyed recently relates to farm people in the South. About the only service of particular aid to agriculture is information about seasonal job opportunities for migratory workers. State employment services, while concentrating on labor requirements for the locality, do provide some "clearing house" information on other localities. Our present employment services are too little concerned, with respect to agriculture, about indicating the existence and conditions for off-farm employment. As a mobility aid, state employment services need to be expanded to emphasize nonfarm opportunities more than seasonal placement of farm labor.

State and county residence laws—Current labor legislation in many states directly discourages migration of farm people. Except in New York, state and county residence requirements create hardships and difficult barriers to labor mobility.[15] The most critical time for a migrant family is its initial period in a new community. The process of securing permanent employment and stabilizing the family's economic status at a satisfactory level may take several years. Therefore, even if alternative employment opportunities are known, the uncertainty of economic security and the lack of available welfare services in the short run would tend to reduce mobility among an appreciable portion of the labor force who would consider a change in occupation and the locality of employment.

SUGGESTED REDIRECTION OF PUBLIC POLICIES AND PROGRAMS

Compared to other policies, or the potentialities of other programs if they are given a different emphasis, income subsidies in agriculture are of minor importance in reducing labor mobility for the large number of low-income farm families in the South. More important is the fact that the same funds now being used for these subsidies could be used positively to promote mobility, rather than in the current neutral fashion. Farm labor in the South does not have sufficient knowledge of employment opportunities in other regions or states, and in addition has too little inclination to leave the South. Then, too, many of these potentially mobile families are aware that if the need arises, they may lose some much-needed welfare benefits by giving up their present legal residence.

Instead of subsidizing a low-income farmer at the rate of $300 per year for the next 10 years if he remains on the farm, it might be better to let him decide whether to (1) remain on the farm and receive an annual subsidy, or (2) find nonfarm work and receive a lump sum of $3,000. In this manner, a value judgment would not be imposed on him in respect to the relative merits

[15] Two illuminating articles portraying the difficulties that families in new communities may suffer as a result of antiquated state and local residence requirements are found in *Parade*, Sunday magazine supplement to newspapers throughout the United States, September 29, 1957, and October 6, 1957, issues.

of his present living pattern, but he would be provided with funds to cover transportation and moving costs and an allowance for some unemployment compensation while he sought a suitable employment opportunity. Along with this more positive approach to farm subsidies in stimulating labor mobility and industrialization, we would suggest the educational and guidance services presented below. Together, these several types of income supplements and employment aids would facilitate labor mobility to the extent of improving the economic well-being of the people concerned, or of allowing a more rapid rate of industrial growth.

1. *Outlook services to inform farm people about income opportunities in agriculture and other sectors of the economy*—Many farm youths make errors in choice of occupations because they simply do not know the relative returns to be expected from farming as compared to other fields. Outlook designed to increase mobility of farm labor should indicate the long-run income prospects for different segments of agriculture in comparison to job opportunities in other parts of the economy. Southern workers should be made acquainted with job opportunities and local governmental regulations governing welfare benefits where the job opportunities exist.

Relatively few farm youths, or other farm persons who are flexible enough to be considered potentially mobile, understand the basic economic outlook for agriculture in a growing economy. Too many view the outlook in the vein of weather, or other chance outcomes: "If we live out today's drought, then certainly the economic weather will be better tomorrow." They do not fully understand the basic economic variables and relationships involved—that with too few resources, persons in agriculture must continue to be faced with low labor returns, relative to wage rates in industries more closely geared to demand growth in an expanding economy. If low-income farmers knew the outlook for the next 10 to 20 years—the likelihood that incomes in agriculture will be depressed relative to those in other sectors of the economy—many would not remain in agriculture to gain the small subsidies forthcoming through price support programs.

2. *Vocational guidance and training*—An important need for many rural communities is an increased investment in vocational guidance along with educational programs which emphasize skills and knowledge for nonfarm employment opportunities. Agriculture and home economics are now the main types of vocational training given in many rural high schools.[16] The emphasis on vocational agriculture relative to trades, industry, and distributive occupations is particularly great in the low-income areas of southern states. The value of this training may not be great for boys who will not return to the farm.

The portion of the agricultural population with the high mobility potential

[16] For an indication of the relatively large public investment in vocational agriculture and home economics relative to trade and industry, see *Development of Agriculture's Human Resources: A Report on Problems of Low-Income Farmers* (Washington: U. S. Department of Agriculture, April 1955), pp. 33–35.

is, of course, composed of young persons who have not yet committed their abilities to particular occupations. Next in flexibility are young persons who have started farming but have not established themselves firmly in the community; those who have long working lives ahead and enough youth to change skills and/or occupations. Farm and home planning should focus particularly on this group. From the family standpoint, it is just as important to show some that they will have higher incomes and greater satisfactions in leaving agriculture, as it is to explain to others how they can reorganize production and consumption patterns on the farm.

3. *Facilities for retraining persons who have already entered agriculture*—Retraining of persons who wish to leave agriculture and are able to do so is important in areas where farms are small and income is low in order to increase incomes of those who will remain in agriculture. In fact, it is equally as important as providing adult education to promote the skills of those who will remain—the latter often can increase incomes sufficiently only if others leave agriculture, thus allowing farm consolidations and attainment of scale economies.

4. *Extended employment services*—An expansion is needed in services designed to provide farm people with information about job openings and employment opportunities. Coverage needs to emphasize regional and national opportunities rather than local seasonal work. The existing facilities of state and Federal employment services can, if extended to a broader national basis, provide a means to supplement education in adjusting agriculture to economic growth. The two are not substitutes for each other. Education and vocational guidance should be used to give individual broad and long-run understandings of the working of the economy, as well as the prospects and needs in various industries and services.

Too few farm people know where to find employment suited to their skills, and living preferences or values. They lack the "know-how" in making contact with appropriate employment, and in getting to it. An educational and informational service which could provide these types of economic outlook effectively would do much in speeding up labor mobility, if it were now deemed too slow. Ironically, agricultural specialists provide farmers with detailed economic outlook and price quotations for marketing hogs and cotton, but little is provided to aid farm families to more effectively market their labor, an item representing not only a product, but also a "built-in consumer"—the autonomous unit of our society. The need is great in these educational areas. Mass media are likely to be less effective than detailed services and intensive information channeled to individual farm families. Farm and home planning can prove effective in this respect if it has as its focus a complete analysis of economic opportunities for the farm family, rather than just the best on-farm organization of resources.

During the war period, the employment services helped an important number of farm people find positions in rural and urban industries. Mobility during the war also was encouraged through provisions of transportation costs

and job guarantees. As an aid to the peacetime mobility required for agriculture, this information and monetary and job aids need to be extended and made more comprehensive and detailed.

Information provided by state employment services should be complemented by information relating to consumption and family living, with the agricultural extension services aiding in disseminating this type of information among farm people. The latter information should indicate the nature of living conditions and adjustments which might be required. Its purpose would be to prevent families from moving, only to find their living patterns and social values to be inconsistent and irreconcilable with those of the new community.

5. *Unemployment compensation, transportation subsidy, and relief benefits*—Current Social Security Administration machinery could be used also to provide compensation for persons who leave agriculture to seek employment in other industries and at other locations. This mechanism would be relatively more efficient than current subsidies for people in agriculture. Over a few years, it is possible that such a program may require a smaller public outlay than the "continuous-support-price" scaffolding and production-control program in use. The Federal Government should undertake a program of assisting families that need welfare benefits where local and state laws do not recognize them as legal residents.

A DEBT MANAGEMENT PROPOSAL

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This communication accepts as desirable the sort of financial structure designed especially by three University of Chicago economists, Mints, Simons, and Friedman.[1] These writers have emphasized the importance of monetary certainty and of simplified monetary-fiscal institutions, the utilization of automatic control mechanisms where possible, the rigid prescription by law of the limits to discretionary authority where automaticity is not feasible, and the joint necessity of anti-monopoly and monetary-fiscal actions for the achievement of a reasonable measure of long run stability in employment and price levels. They avowedly have been attempting to discover and describe an institutional framework and set of operating procedures which are consistent with the maintenance and extension of a decentralized, competitive market economy. Typically, they have had little to say about the transitional difficulties associated with going from "here" to "there." The purpose of this note is that of making a suggestion which, if acted upon, will have the effect of moving our present system a step in the direction of their "ideal" monetary-fiscal arrangements.

The proposal is this: that the powers and responsibilities of the Federal Reserve Board of Governors be increased to include all aspects of debt management.

The effect of this proposal would be to separate cleanly—at least, as cleanly as possible—fiscal and monetary actions. The basic fiscal decision concerning the net impact of the Federal government's activities upon the income stream—the decision concerning government expenditures and taxes—would continue to be made, as at present, by Congress. *Responsibility for all decisions concerning the asset effects of this fiscal action and for all decisions relating to currently outstanding Federal Government debt would pass from the Treasury to the Federal Reserve Board of Governors.* Specifically, the Board would be given both the power to tell the Treasury what to do with surplus funds that accrue in a period when receipts exceed expenditures and the parallel power to prescribe where the funds to finance a deficit shall come from when the opposite budgetary situation obtains. In addition, the Board would be

* The author is greatly indebted to Professor Clarence Philbrook for his critical comments; also, as indicated at the appropriate point, Professor James M. Buchanan made a most helpful suggestion. Finally, the editors of this Journal made several recommendations which improved the paper. In this expression of thanks, there is no implication of endorsement of the paper's content.

[1] See: Lloyd W. Mints, *Monetary Policy for a Competitive Society* (New York: McGraw-Hill Book Company, 1950); Henry C. Simons, *Economic Policy for a Free Society* (Chicago: University of Chicago Press, 1948); and Milton Friedman, "A Monetary and Fiscal Framework for Economic Stability," in Friedrick A. Lutz and Lloyd W. Mints, *Readings in Monetary Theory* (Philadelphia: Blakiston Company, 1951), pp. 369-93.

empowered to dictate the terms of all Treasury refunding actions as to types of securities, stated rates, maturities, etc. Thus, the proposal represents an important step toward the goal of consolidating the control of the quantity of money, the rate of interest, the availability of credit, and the supply and types of near-moneys under a single authority.

The words "an important step" in the preceding sentence must be emphasized. For it is the fact that the proposal is viewed only as a step in the direction of a more satisfactory monetary-fiscal framework—not as any sort of "permanent" solution, in and of itself, to stability problems—which underlies the recommended direction of power reallocation: *away from* the Treasury, *toward* the Federal Reserve. Providing the established monetary authority with additional monetary powers is an action which is consistent with the broad outline of existing economic arrangements.[2] In this sense, it is a cautious step. Taking monetary powers from the Federal Reserve and giving them to the Treasury, on the other hand, involves fundamental institutional change—essentially, abolition of the Board as an independent monetary agency—and hence is an action constituting drastic reorganization of the monetary-fiscal structure.

Among professional economists the proposal could probably be given sufficient justification on the grounds of elegance alone: certain debt management by-products are so very closely akin to the sorts of results consciously striven for by Federal Reserve authorities, that order and neatness militate in favor of consolidation. The case is strengthened by the significance of the present lack of order for policy execution: an important instrument of mone-

[2] There may, of course, be serious political and legal complications involved and I make no pretense of having explored all of these non-economic aspects of the proposal. One matter in this category has been pointed to as deserving of special comment: it is the fact that the proposal takes away from Congress the power of decision over an important federal government expenditure. The first, and most important, thing to be said in this connection is that the statement is misleading in that it seems to carry the implication that Congress decides how much it would like to budget for "annual interest" in the same way that it decides how much it will allocate to "defense" or "welfare." Actually, interest rates are "basically" determined by market forces so that aggregate interest charges are largely outside Congressional control anyway, given the size of the debt subject to market influences. The treasury, of course, can exert an influence on total interest costs through its ability to specify the characteristics of securities issued; this power would be transferred to the Federal Reserve under the proposal. But the transfer would not give the Board any new kind of power—power of a type it does not already have. In fact, it should be easy to argue that the Federal Reserve Board, with its ability to affect the quantity of money in general and with its power to engage in open market operations in particular, already has substantially more influence over the size of national interest charges than the proposal would give it. Moreover, the Treasury-Federal Reserve dispute, which ended in March, 1951, may be thought of as having been fought over just this issue: does the Federal Reserve have the power, independent of the Treasury, to influence the amount of money the federal government has to spend on interest? In that dramatic case, the "Douglas Committee" very clearly and unequivocally stated its belief that Congress wanted this power to be exercised by the Federal Reserve authorities. I am sure that these remarks do not exhaust the issue but they suggest that this particular problem is not an especially serious one.

tary control is *not* in the hands of the agency which increasingly by custom is responsible for managing monetary affairs in the interest of national economic stability. Worse still, the agency which has this power—the Treasury—is subject to (or feels itself subject to) a variety of pressures calling for decisions not necessarily harmonious with those of the Federal Reserve.[3] Indeed, there is no reason to expect the sort of conflict which occurred after World War II between these two agencies to be unusual. The "accord" was a truce: it disposed of neither the sources nor the means of conflict.

The point may be made less negatively. Some monetary effect—using the term broadly—is inherent in a decision to engage in deficit or surplus financing. But the extent of the monetary effect is not determined: it depends upon which of various alternative monetary arrangements is chosen. Placing this choice squarely with the Federal Reserve Board is desirable because it gives maximum assurance that these monetary effects will be consistent with (and often, powerfully in support of) other actions currently being taken or designed by that monetary authority.

More affirmatively still, the proposed transfer of debt management responsibility puts into the hands of the Board of Governors a powerful stabilization weapon which may be used by it alongside and in conjunction with other weapons similar in implementation and effect. This weapon makes possible sizable and rapid changes in the liquidity position of the community through routine refunding operations. Within the current fiscal year, for example, marketable securities amounting in total value to approximately $75 billion will mature; more than $50 billion of these are located outside U. S. government agencies and trust funds and the Federal Reserve Banks. Most are bills and certificates. If counter-inflationary action were considered desirable, converting sizable portions of these into notes, bonds, or perpetuities would be a logical and important sort of action to take alongside the sale of securities by the Open Market Committee, raising the discount rate, and raising the reserve ratios of commercial banks. Or if the problem were to combat deflationary tendencies, converting long-term debt into short-term obligations and/or paying off some of the maturing obligations with funds obtained by selling securities to "itself" (a Federal Reserve bank) would be actions wholly complementary with open market purchases, decreases in the discount rate, and lowering the reserve ratios of commercial banks.[4]

[3] Debt management decisions under the Treasury in the past have been influenced by many considerations, among which are the following: the size of the Treasury balance; aggregate interest charges; the state of the "long" market for private offerings (with the Treasury trying to avoid new issues of long-term bonds during periods of low business activity); the overall "tone" of the market (with the Treasury trying to sense what the market will "take" in order to avoid "disastrous failures" in its offerings of new issues or its refunding actions); the "obligation" of the Treasury to meet "the needs of the market" for short term securities; the length of the debt; stability in the economy.

[4] I am indebted to Professor James M. Buchanan for pointing out to me the relationship between the coordinated antideflation attack suggested in the last sentence of this paragraph and recent actions of our two major "monetary authorities." During the fall of 1957 and the spring-early-summer of 1958, Federal Reserve policy moved from "restraint"

The size and composition of the Federal debt at the present time combine to make possible changes in liquidity position of the community of almost any conceivable magnitude at almost any conceivable rate of speed. The adoption of this proposal would be made more effective, however, by (Simons-type) compositional changes in the direction of a much heavier reliance upon long term marketable bonds (including perpetuities)—the idea being to move toward a situation in which the mass of the Federal government's obligations were substantially less satisfactory as near-moneys, so that the liquidity effect of converting any given number of dollars into bonds (refunding maturing obligations held by the Federal Reserve banks through the sale of bonds to "the public") or vice versa would be maximized.[5]

The effective use of this stabilization device would, of course, force the Board of Governors to order purchases and sales of securities in a fashion which would make the government bond market "behave" quite differently than it now does. Thus, the "rules of the game" with respect to private operators in this market would change as the Treasury began to do such "unorthodox" things as issue large quantities of "long" bonds primarily on the basis of stabilization criteria—i.e., without regard to the "receptivity" of the market[6]

to what has been labeled "aggressive and pervasive ease." During roughly the same interval the Treasury conducted its most vigorous debt- lengthening program of recent years. From the point of view expressed in this paper, it is clear that the Treasury's action worked in the direction of undermining the Federal Reserve's efforts to increase the liquidity of the financial community.

[5] The potentialities associated with privately held savings bonds in this revised scheme of debt management are worth an aside. Currently there are over $50 billion of these outstanding. It is generally recognized that they exercise a persistently destabilizing influence in their present form: in a time of deflationary tendencies, the fact that the Treasury stands ready to sell them in unlimited quantity means that the government is providing excellent alternatives to private, counter-deflationary spending; on the other hand, the fact that the Treasury offers to redeem them at the option of the holders on terms that are clearly stated and unaffected by market conditions, means that the government almost certainly will be put in the position of injecting large quantities of funds into the system during a period of inflation. If these bonds were made marketable, redeemable only at maturity, and limited in supply, they would immediately lose much of their destabilizing characteristic; the major problem remaining would be that of offsetting maturing obligations in inflationary periods—a problem which presumably would be handled coordinately with other comparable problems. In this less attractive form these bonds would probably be less widely held; but to the extent they remained in the hands of private individuals, they could become an especially effective means of increasing aggregate liquidity when deflation threatened. For if, on the average, $5 billion were to come to maturity per year, the monetary authority could refund by selling bonds to a Federal Reserve Bank and thereby inject new media directly past "the financial community" into the balances of citizens.

[6] This emphasis on ignoring the receptivity of the market is of crucial significance to the proposal of this paper. It is my view that the relatively great concern for receptivity suggests a non-economic, mechanistic appraisal of the market's ability to adapt to changes in supply or demand conditions. Thus debt managers with this bent will tend to approach the problem of a refunding action in this fashion: "We are up against the fact that next Tuesday $X billion worth of certificates will come due. Let's set up a meeting with bankers and other 'professionals' to get their advice on what the market will accept."

or to the extent to which this action puts the Treasury in competition with private or state and local demands for funds. It is a major virtue of this proposal that changes in both the operating procedures of the money managers and in the structure of the debt could be effected slowly and with appropriate advisement, thereby facilitating the adjustment of private participants to the new market behavior patterns.

It may be some time before a full integration of fiscal and monetary activities (as suggested by Friedman, for example) can be achieved. In the meantime it is probably reasonable to expect that Congress will not seriously misuse its fiscal powers—the desirability of a deficit in deflationary times, a surplus in inflationary times, and a roughly balanced budget "in between," is so generally accepted that it is discussed sensibly in the press and among laymen. This means that the chances are good that the monetary authorities will be able to work within an acceptable fiscal setting. The effect of the proposal of this paper would be to reinforce their powers substantially. Thus, barring an exogenous economic catastrophe such as war, the monetary authorities should be able to maintain a reasonable degree of stability at the same time that they build up a backlog of operational experience which alone can provide the sorts of answers needed for the construction of a framework more consistent with the liberal ideal.[7]

My idea of the "proper" sort of attitude is one which would be expressed more or less in this manner: "Next Tuesday $X billion of certificates will come due. All of our economic indicators show (say) that serious inflation threatens. We must, therefore, view this refunding action as an excellent opportunity to exert depressive leverage upon the economy. *What price* (interest rate) *must we pay in order to induce the market to accept and adjust to an issue of $X billion worth of fifty-year bonds?"*

[7] I have found two articles in the recent literature in which the proposed transfer of debt management responsibilities has been mentioned and discussed briefly. They are: G. L. Bach, "The Federal Reserve and Monetary Policy Formation," *American Economic Review*, December 1949, XXXIX, pp. 1189–90 and A. G. Hart, "Monetary Policy for Income Stabilization" in *Income Stabilization for a Developing Democracy*, ed. Max F. Millikan (New Haven: Yale University Press, 1953), p. 343. Both papers were written during the period of Federal Reserve subservience to the Treasury and their suggestions concerning debt management were primarily focused upon the problems presented by this relationship.

INCOME EQUALITY IN A FACTORY PAYROLL

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Various studies have shown for broad class intervals that inequality of income has decreased in the last 25 years.[1] Many factors responsible for the trend including such elements as age, education, skill, and market conditions of given occupational groups, are yet to be comprehensively explored. It is difficult to make a detailed study of these factors because income data of individuals, considered singly or within groups, are not available for an earlier period comparable with the 1950's. Most companies have no detailed wage data to approximate wage distributions before the withholding tax or wage and hour legislation.

The following study was designed to investigate the changes in the dispersion of wages and salaries in one manufacturing plant over a long period of time. Its objects are to determine how much spread of wages has changed within occupational groups and between occupational groups and to account for that change.

Description of Data

The plant chosen was desirable from several standpoints. It was possible to obtain wage and occupation data for each individual for the years 1919, 1929, and 1954. In these three years the plant was in full production and no time was lost because of layoffs, strikes, or general repairs. Since the three years were prosperous, the danger of comparing prosperous periods with depressed periods, where certain skilled workers may be employed as laborers,[2] can be avoided.

During this 35-year period the company has produced essentially the same product with the same number of employees. Increased production has been obtained by technological improvements. Those workers who did not work a full year, who changed jobs during a year, or whose occupation did not exist in each of the three years were eliminated from the data. This procedure makes it possible to study comparable men and occupations over the period.

The following over-all results were obtained for 28 occupational groups, such as machinists, truckers, office clerks, and foremen, but not including middle management or executives:

TABLE I

NUMBER AND MEAN WAGES OF WORKERS

Year	Number	Mean
1919	166	$1372
1929	149	1614
1954	174	4366

[1] Lee Soltow, "The Trend Movement in the Income Distribution in Wisconsin for a Twenty Year Period," *Review of Economics and Statistics*, May 1957; Simon Kuznets, "Shares of Upper Income Groups in Income and Savings," National Bureau of Economic Research, *Occasional Paper 35* (1950); see also Robert J. Lampman, "Recent Changes in Income Inequality Reconsidered," *American Economic Review*, June 1954.

[2] See Horst Mendershausen, "Changes in Income Distribution During the Great Depression," National Bureau of Economic Research, *Studies in Income and Wealth*, Vol. 7.

Increased Equality

Over-all concentration of income in the three periods is presented in Table II. In order to facilitate comparison in terms of 1954 income, each 1919 income has been increased 218 per cent and each 1929 income has been increased 170 per cent. Such a procedure makes average income the same for each of the three years, yet maintains the distinct concentration ratios of each year.

TABLE II

COMPARISON OF THE 1954 DISTRIBUTION TO THE INCOME INFLATED DISTRIBUTIONS OF 1919 AND 1929

1954 Lower Class Limit (in dollars)	Percentage Frequencies*		
	1954	1929	1919
1000–	1.1	—	2.4
2000–	3.4	8.0	9.0
3000–	35.6	34.9	29.5
4000–	33.3	32.2	26.5
5000–	22.4	18.8	25.9
6000–	4.0	2.7	6.0
7000–	—	2.7	.6
8000–	—	—	—
9000–	—	.7	—
	100	100	100

* Each income was increased \$4366/\$1372 − 1 in 1919 and \$4366/\$1614 − 1 in 1929.

It can be seen that there is some narrowing of income even within this rather limited income span group. Between \$3,000 and \$6,000, for example, there were 91 per cent of the workers in 1954, 86 per cent of the income inflated workers in 1929, and 82 per cent of the income inflated workers in 1919.

Measured in terms of the average deviation from the mean as a per cent of mean income, relative dispersion decreased 9 per cent from 1919 to 1929, 10 per cent from 1929 to 1954, and 18 per cent from 1919 to 1954.

The change can be analyzed further in terms of dispersion of workers' incomes within each occupational group from their respective occupational means and dispersion between the 28 occupational means from the over-all mean.

TABLE III

TOTAL DISPERSION

Year	Average Deviation	Mean Income	Relative Dispersion
1919	\$298	\$1372	21.1%
1929	311	1614	19.3
1954	756	4366	17.3

A weighted average of $\Sigma W(RD)/\Sigma W$ has been used for within relative dispersion where W equals the number of men in an occupation group for the year, and RD equals the relative dispersion within that group for the year. Between dispersion has been similarly weighted. Use of base year or given year weights would change the results insignificantly since there were about the same number of men in each occupation during the period. Within and between relative dispersion do not equal total dispersion by this technique.

TABLE IV

RELATIVE DISPERSION WITHIN AND BETWEEN OCCUPATIONS

Year	Total	Within	Between
1919	21.1%	11.3%	18.0%
1929	19.3	9.8	17.5
1954	17.3	9.5	15.2

It is difficult to assign specific reasons for the decrease in the relative dispersion within occupations. Undoubtedly the greater uniformity of the number of hours worked per week and the greater standardization through the use of machinery with less dependence on individual physical effort are important. There is also the unproved judgment that there is greater uniformity of work effort on the part of workers. These and many other factors are discussed more fully in the following discussion which will pertain only to spread between occupational incomes which is quantitatively more important.

Dispersion Between Occupations

Greater uniformity in the number of hours worked per week is responsible for three-fourths of the change in dispersion. In 1954 the plant had a 40-hour schedule and, with the exception of foremen, almost all workers adhered to it. Little or no overtime payments were made. In 1919 and 1929 the plant had a 60-hour schedule but men in certain occupational groups worked as many as 84 hours in 1919 and 72 hours in 1929. No exact data on the number of hours worked per week are available since weekly pay was based on production. Correction of yearly occupational average incomes to 60-hour work weeks has been made from educated guesses of the plant manager who has been with the plant for the entire period and who has known each man and his occupation. An example of the deflating process is an occupation group whose average income was decreased one-seventh in 1919 because its average number of hours worked per week was 70 instead of 60 in that year. The hourly deflated data show that relative dispersion in 1919 was only 4 per cent more than it was in 1954.

One might conclude from the very important factor of working hours, then, that the trend toward equality of income for the plant has run its course and

TABLE V

IMPORTANT FACTORS IN THE GAINS OF DIFFERENT OCCUPATIONAL GROUPS

Occupation	Ratio of 1954 to 1919 Wages*	Factors
1	5.44	Helped by minimum wage laws.
2	4.21	High skill, market rate anomaly in 1919.
3	4.21	Undesirable job—heat and dust.
4	4.09	Technological increase, no decrease in skill.
5	3.99	State licensed, market tight in 1954.
6	3.94	Hazardous job—grinding wheels, union help.
7	3.79	Heavier pulling than in 1919.
8	3.63	Heavier lifting than in 1919, union help.
9	3.60	Increased skill with new machines.
10	3.59	Highest artisan skill in both 1919 and 1954.
11	3.53	NIRA helped.
12	3.51	1954 rate considered out of line.
13	3.49	Skill increase to 1929, then decrease to 1954.
14	3.48	No comment.
15	3.30	Less physical effort today—setting machines.
16	3.27	Very little skill, helped by NIRA.
17	3.24	Less physical effort—loading machines.
18	3.24	Less volume of business than in 1919.
19	3.23	Not covered by minimum wage laws.
20	3.09	A type of foreman.
21	3.02	Demand for services less.
22	2.98	No comment.
23	2.91	Less skill.
24	2.88	Not covered by minimum wage laws.
25	2.88	No comment.
26	2.68	Watchman.
27	2.64	Male office help workers
28	2.52	Foremen.

* Average wages have been adjusted to a 60-hour work week in 1919 and 40-hour work week in 1954.

will not continue. Further analysis reveals, however, that dynamic counteracting changes of different occupational wage groups are occurring which are a result of many complex factors.

Even though the hourly deflated wage dispersion has decreased only 4 per cent in the 35-year period, there are large differences in the gains of the various groups. These are presented in Table V. The group with the largest gain has a percentage increase approximately three times as much as that of the group with the smallest gain. The respective increases have little relationship to relative incomes in 1919 or 1954. Thus one-half of the 14 groups receiving more than median *increases* shown in Table V had incomes less than the 1919 median occupational income. The net effect has been that dispersion has not changed appreciably.

It is not easy to attach reasons for the differing gains. They are a composite of elements of skill, arduous work, hazardous or undesirable activity, techno-

logical advances, government legislation, union pressure, and market demand and supply considerations as well as many specific events or situations.

Each occupation has particular characteristics. An example might be drivers who used horse-drawn vehicles in 1919, both horse-drawn and gasoline-engine tractors and trucks in 1929, and only tractors and trucks in 1954. In 1929 it took a comparatively skilled operator to run trucks and tractors. The supply of men who could even drive pick-up trucks was limited. Today there is no supply problem because of the general mechanical knowledge. As a consequence of these factors, wages of this group rose more than the average from 1919 to 1929 and less than the average from 1929 to 1954.

Another example is one strenuous operation which before 1930 was scheduled by having men alternate each hour between the enervating operation and one less difficult during the 10-hour day. Today this job is scheduled by having alternately one-half hour of work and one-half hour of rest during the 8-hour day. The rest benefit is not, of course, reflected in income. The union, which has been on the scene since the 1930's, has made several successful attempts to raise the income rate of this particular occupational group disproportionately.

Still another example is that of the blacksmith. In 1919 and 1929 the blacksmith was required to heat, hammer, and shape iron and steel into desired parts needed for repair. If a special steel shape or part is needed today, it is bought from a fabricating plant or foundry. It is of better quality and can be obtained faster. In addition, the acetylene cutting torch has displaced the need of hammering a part. The job has lost much prestige, which is reflected in the wage pattern.

Specific comments for each occupation are listed in Table V. They must be tempered somewhat, of course, by the realization that they represent hindsight reasoning of management. It is difficult to make generalizations from the reasons. Some lower income groups have been aided by government legislation. Productivity gains through mechanization have gone especially to two segments: those whose skills or art has remained high or has increased, and those whose jobs are physically undesirable. Those occupations demanding less skill relative to other groups have not kept pace with average increases unless the job is arduous. The increased level of education has shifted the supply of men relatively from the arduous occupations to those demanding some skill.

The plant manager was asked how he would distribute the present total payroll differently from the way it is distrubuted if he had the power to do so. He pointed out two or three occupational rates that he thought were out of line because of the production rate mechanism and supply factors, but his feeling was that the many factors responsible for wages provided a truer guide than he himself could arbitrarily design. The above case study is for only one plant. It would be dangerous to make inference from it to larger groups.

Conclusion

An investigation has been made of the change in the dispersion of annual wages in a plant over a 35-year period. During this time relative dispersion

decreased from 15 to 20 per cent. This was analyzed in terms of dispersion of income within occupations and between occupations. The change in dispersion within occupations has been relatively small in the last 25 years and many of the reasons for its change can also be attributed to the change in dispersion between occupations which is quantitatively more important.

The greater uniformity in the number of hours worked per week is responsible for three-fourths of the change in between-dispersion. The remaining change is composed of a dynamic, complex, and largely offsetting set of forces. Government legislation had aided lower income groups, and increased productivity through mechanization has benefited particularly occupational groups demanding skills and greater physical effort irrespective of former average income.

COMMUNICATIONS

*STATES OR SMA'S WHEN STUDYING LOCATION OF MANUFACTURING**

A standing problem for economists, geographers, and others interested in regional or locational aspects of economic activity is the choice of an appropriate set of areal units for analysis. As a practical matter, this frequently means choosing between the states on the one hand and the standard metropolitan areas on the other, and most writers have come down hard against the states and in favor of the SMA's.[1]

Despite Vining's warning that "There exists no unique or single set of 'natural area units' as distinct operating entities and component parts of a human economy,"[2] we find that the choice of SMA's for the study of some specific problem is often made on the basis of essentially *a priori* considerations. For example, in a recent interesting study of changes in the distribution of manufacturing activity the author rejects the states with the observation, "... it is obvious not only that they are too gross in size but also that their boundaries are quite at variance with those of manufactural and other economic regions."[3] It is not difficult, however, to suggest reasons why the state might be a very significant unit for studying changes in the location of manufacturing. States differ considerably with respect to taxes, labor legislation, and many other factors which influence location. But these too are *a priori* considerations.

What objective criteria could be used to determine the relative merits of two different sets of areas for the analysis of a particular problem? There is little doubt that intra-area homogeneity with respect to the variable(s) in question should be a primary consideration. If we are interested in studying areal differentials in the growth of manufacturing, we should attempt to determine whether the growth figures for each SMA are more meaningful than those for each state in the sense that they are less an average of sharply divergent trends within the respective areas. The purpose of this note is to report on one such attempted comparison.

* This note is a by-product of a study prepared for the Committee on Analysis of Economic Census Data of the Social Science Research Council.

[1] For a summary of some of the arguments advanced against the use of states see Frank Hanna, "Analysis of Interstate Income Differentials: Theory and Practice," *Regional Income,* Conference on Research in Income and Wealth, vol. 21, NBER, Princeton University Press, 1957, p. 115. (Note: Hanna actually prefers the states to SMA's.)

[2] Rutledge Vining, "Delimitation of Economic Areas: Statistical Conceptions in the Study of the Spatial Structure of an Economic System," *Journal of American Statistical Association,* vol. 48, 1953, p. 52.

[3] Wilbur Zelinsky, "A Method for Measuring Change in the Distribution of Manufacturing Activity; The United States, 1939–1947," *Economic Geography,* April 1958, p. 99.

TABLE 1

VALUE ADDED BY MANUFACTURE 1954/1947 IN PORTIONS OF STANDARD METROPOLITAN AREAS THAT CROSS STATE LINES

SMA	State											
	A	B	C	D	E	F	G	H	J	K	L	M
1	136	150										
2		173	164									
3		161	143									
4		158		207								
5			152		154							
6					170	171						
7					172	154	186					
8					166		152					
9						174		164				
10								164	140			
11									137	247		
12									155		160	
13											199	275

SMA	N	O	P	Q	R	S	T	U	V	W	X	Y
14	125	105										
15			133	144								
16					379	159	258					
17								558	125			
18									130	195		
19											167	148

Key

States

A New York
B New Jersey
C Pennsylvania
D Delaware
E Ohio
F Kentucky
G West Virginia
H Indiana
J Illinois
K Iowa
L Missouri
M Kansas
N Massachusetts
O Rhode Island
P Wisconsin
Q Minnesota
R Maryland
S District of Columbia
T Virginia
U South Carolina
V Georgia
W Tennessee
X Washington
Y Oregon

Standard Metropolitan Areas

1. New York-Northeastern New Jersey
2. Allentown-Bethlehem-Easton
3. Philadelphia
4. Wilmington
5. Youngstown
6. Cincinnatti
7. Huntington-Ashland
8. Wheeling-Steubenville
9. Louisville
10. Chicago
11. Davenport-Rock Island-Moline
12. St. Louis
13. Kansas City
14. Providence
15. Duluth-Superior
16. Washington
17. Augusta
18. Chattanooga
19. Portland

Source: Bureau of the Census, Census of Manufactures, 1954, vol. III.

TABLE 2

VALUE ADDED BY MANUFACTURE 1954/1947 IN STATES WITH MULTI-STATE SMA'S EXCLUDING ITS PORTION OF THE SMA

Massachusetts	excluding	Providence	130
Rhode Island	"	"	112
New York	"	N.Y.-Ne.N.J.	164
New Jersey	"	"	157
"	"	All.-Beth.-Easton	151
Pennsylvania	"	"	142
"	"	Phil.	144
New Jersey	"	"	150
"	"	Wilming.	151
Delaware	"	"	166
Pennsylvania	"	Youngstown	143
Ohio	"	"	160
"	"	Cincinnatti	159
Kentucky	"	"	166
"	"	Huntington-Ashland	167
Ohio	"	"	160
West Virginia	"	"	145
"	"	Wheeling-Steubenville	148
Ohio	"	"	160
Indiana	"	Chicago	154
Illinois	"	"	157
Indiana	"	Louisville	156
Kentucky	"	"	156
Illinois	"	Davenport-Rock Island-Moline	145
Iowa	"	"	180
Illinois	"	St. Louis	144
Missouri	"	"	181
Wisconsin	"	Duluth-Superior	147
Minnesota	"	"	157
Missouri	"	Kansas City	160
Kansas	"	"	207
Maryland	"	Washington	163
Virginia	"	"	154
South Carolina	"	Augusta	121
Georgia	"	"	158
"	"	Chattanooga	157
Tennessee	"	"	172
Washington	"	Portland	178
Oregon	"	"	157

Source: Bureau of the Census, Census of Manufactures 1954, vol. III.

There are 19 SMA's (located in 24 states) which cross state lines[4] and for which value added by manufacture data are available for 1947 and 1954. (See Table 1.)

Let X_{1A} equal 1954/1947 (value added by manufacture) for the portion of SMA 1 in state A,

[4] Three other SMA's have more than 95 per cent but less than 100 per cent of value added in one state. They were treated as being entirely in one state.

X_{1B} equal the same for the portion of SMA 1 in state B,
X_{2B} equal the same for the portion of SMA 2 in state B, etc.
Let Y_{A1} equal the same for state A excluding its portion of SMA 1,
Y_{A2} equal the same for state A excluding its portion of SMA 2,
Y_{B2} equal the same for state B excluding its portion of SMA 2, etc. (See Table 2.)

If it is true that the SMA is a more meaningful economic region than the state, we would expect that the change in value added from 1947 to 1954 for the portion of a multi-state SMA which is in one state could more accurately be predicted by the experience of the rest of that SMA than by the experience of the rest of the state; i.e., we would expect $|X_{1A} - X_{1B}|$ to be smaller than $|X_{1A} - Y_{A1}|$ and smaller than $|X_{1B} - Y_{B1}|$.

Such comparisons were made for all 19 multi-state SMA's. Since each involves at least two states, and one SMA is in three states, there were 39 such comparisons. Results: In only 17 cases did the prediction based on the rest of the SMA give a better prediction than did the one based on the rest of the state. In 22 cases the rest of the state gave a better prediction. The median deviation between the predicted value and the actual value based on the SMA was 19. The equivalent figure for estimates based on the rest of the state was 13. In other words, the experience of the portions of the SMA more closely resembled that of the rest of their state than it did the rest of their SMA.

Another way of measuring this characteristic is to compare the variation within SMA's with the variation within states. If it is true that the SMA is a more meaningful economic region than the state, we would expect that the variation within SMA's that cross state lines is significantly less than the variation within those states with respect to changes in value added from 1947 to 1954.

Variation within SMA's was calculated as follows: For each multi-state SMA the mean of the 1954/1947 relatives was found; e.g. $(X_{1A} + X_{1B})/2$. The deviations from the mean were calculated, squared, summed, and the standard deviation found by dividing by the number of degrees of freedom[5] and extracting the square root.

Variation within states was calculated as follows: For each state which contained more than one SMA and also contained a multi-state SMA a mean of 1954/1947 relatives was calculated based on the relatives of each wholly contained SMA and the relatives of each of the portions of multi-state SMA's in that state. (See Table 3.) The standard deviation was calculated as above.

Results:

Nature of Variability	Degrees of Freedom	Sum of Squared Deviations	δ	$\text{Log}_e\ \delta$
Within SMA's	21	131,983	79.28	4.37300
Within states	91	276,365	55.11	4.00935
				$z = .36365$

[5] Degrees of freedom = number of deviations minus number of means.

TABLE 3

VALUE ADDED BY MANUFACTURE 1954/1947 IN STANDARD METROPOLITAN AREAS IN STATES WHICH CONTAIN MULTI-STATE SMA'S

Boston	143
Worcester	144
Springfield-Holyoke*	135
Albany-Schenectady-Troy	181
Binghamton	168
Buffalo	164
Rochester	179
Syracuse	174
Utica-Rome	141
Atlantic City	122
Trenton	146
Altoona	142
Erie	127
Harrisburg	130
Johnstown	122
Lancaster	162
Pittsburgh	146
Reading	128
Scranton	196
Wilkes Barre-Hazelton	124
York	149
Akron	135
Canton	160
Cleveland	156
Columbus	209
Dayton	151
Hamilton-Middleton	226
Lima	136
Lorain-Elyria	214
Springfield	121
Toledo	136
Evansville	171
Fort Wayne	126
Indianapolis	175
Muncie	142
South Bend	136
Terry Haute	122
Decatur	120
Peoria	129
Rockford	166
Springfield	202
Green Bay	170
Kenosha	110
Madison	195
Milwaukee	148
Racine	164
Minneapolis-St. Paul	152
Cedar Rapids	186
Des Moines	214
Dubuque	195
Sioux City	104
Waterloo	172
St Joseph	122
Springfield	261
Topeka	194
Wichita	387
Charleston (W.V.)	148
Baltimore	172
Hampton-Newport News-Warwick	217
Norfolk-Portsmouth	133
Richmond	138
Roanoke	127
Lexington (Kt.)	205
Atlanta	233
Columbus*	77
Macon	188
Savannah	204
Memphis	166
Nashville	155
Seattle	197
Spokane	189
Tacoma	138
Charleston	137
Columbia	131
Greenville	97

* Indicates more than 95 per cent but less than 100 per cent in one state.
Source: Bureau of the Census, Census of Manufactures, 1954, vol. III.

The data refute the hypothesis that variation within SMA's is less than within states. They support the opposite hypothesis that the variations within the SMA's is significantly greater than that within the states (as described above) since such a value of Z would occur as a result of chance less than 5 times out of 100.

What might explain these results? One possibility is that the within SMA differentials are not a reflection of state differences but are a result of the difference between the central city and the rest of the SMA (called the ring).[6] It is quite evident that central cities did not grow as rapidly between 1947 and 1954 as did the rings. It is also evident that the central city is nearly always located in one state. *A priori*, the combination of these two facts could account for the within SMA differentials.

An attempt has been made to allow for this possibility by calculating the 1954/1947 relatives for each central city and for the ring portion of the SMA in that state, separately. We may denote the latter as $X_{1A\text{-}c}$ meaning the

TABLE 4

VALUE ADDED BY MANUFACTURE 1954/1947 IN CENTRAL CITIES OF MULTI-STATE STANDARD METROPOLITAN AREAS AND IN THE RINGS OF THOSE SMA'S IN THE SAME STATE AS THE CENTRAL CITY

SMA	Central City*	Balance of SMA in Central City State
Providence	109	103
N.Y.-Northeastern N.J.	109†	172
Allentown-Bethelehem-Easton	134	178
Philadelphia	128	179
Wilmington	120	327
Youngstown	155	153
Cincinnatti	140	231
Huntington-Ashland	189‡	177
Wheeling-Steubenville	122¶	160
Chicago	129	177
Louisville	167	210
Davenport-Rock Island-Moline	128	143
St. Louis	133	544
Duluth-Superior	131	275
Kansas City	152	388
Augusta	114	190
Chattanooga	144	867
Portland	140	170

* Central city was that city in the SMA with the greatest value added by Manufacture in 1954 except where otherwise noted.

† Based on Manhattan.

‡ Based on change in total employment (Huntington) applied to value added figures for Cabell county.

¶ Based on Ohio county.

Source: Bureau of the Census, Census of Manufactures, 1954, vol. III.

[6] I am grateful to Mr. Robert Lichtenberg for a discussion of this point.

1954/1947 value added by manufacture for the portion of SMA 1 in state A excluding the central city. (See Table 4.)

We may now ask whether the ring portions of each SMA resemble each other more closely than they do the rest of the state; i.e., is $|X_{1A\text{-}c} - X_{1B}|$ smaller than $|X_{1A\text{-}c} - Y_{A1}|$ and smaller than $|X_{1B} - Y_{B1}|$. There are 37 such comparisons possible.[7] In 15 cases the rest of the SMA gives a better prediction, in 21 cases the rest of the state does, and 1 case is tied. The median deviations are 23 and 13. Elimination of the central cities does not materially alter the results obtained earlier. Parts of the same SMA's, located in different states, grew at sharply divergent rates between 1947 and 1954, and this is true whether central cities are included or excluded from the comparison.

Such sharp differences within SMA's suggest that analyses based on states or groups of states may actually be more meaningful than those based on SMA's when we are comparing growth rates of manufacturing in different parts of the country.[8] Whether this would also be true for other variables can only be determined by examination of the relevant data.

Columbia University VICTOR R. FUCHS

SOME ASPECTS OF THE ROLE OF BUSINESS IN STABILIZATION POLICY

Many times in the last few years the question has arisen as to the possible role of private business in any stabilization program. Various aspects of this topic stand in need of further clarification. The issue is especially pertinent in situations in which price declines have not occurred during the downturn. In such instances reliance solely upon monetary-fiscal policies aimed at bringing about recovery may lead merely to serious inflation. During this past year both the Federal Reserve and the Treasury have emphasized the point that the speed with which recovery is resumed depends in part upon the making of economic corrections in areas outside monetary policy.

Monetary-fiscal measures, promulgated by the Federal Reserve and by government agencies, are now generally accepted as suitable tools for modifying business fluctuations. On the other hand, the role that private business may play in economic stabilization is by no means so clearly defined. As a result, the potential effectiveness of certain private discretionary measures may easily be exaggerated in planning for economic stability. This paper deals only with that phase of stabilization policy.

There have been suggestions, for example, that a "range of indifference" exists in the making of many important business decisions with regard to such matters as whether or not to export on credit, when to enlarge the plant, and where to locate it. On the supposition that it is immaterial to manage-

[7] Two less than before because there is no possible ring for Washington within the District of Columbia.

[8] Observations for smaller units, such as counties, would be highly desirable, but cost and disclosure considerations often eliminate this as a real possibility.

ment which way the company turns within this "range of indifference," proposals have been advanced that such private organizations as trade associations and CED (Committee for Economic Development) attempt to mobilize business decisions in the direction of the public interest with the aim of forestalling either inflation or recession, as the case may be.[1]

Thus an important and interesting issue is raised in that the existence of a "range of indifference" is presupposed. Hart suggests that indifference may be found in the rendering of decisions about matters like inventories, exporting on credit, labor contracts, and plant construction programs. To quote:[2]

> If it is immaterial, so far as good business is concerned, whether a firm enlarges its factory now or next year, it certainly makes sense to let the decision be settled by a public interest in having more or less construction this year.

The question posed here, however, is whether business is actually conducted in such a fashion. More particularly, are the corporations whose operations have the greatest impact upon stabilization efforts proceeding in their decision-making in such a manner—indifferently, with no preference or choice? Or, instead, is there not continuous and conscious planning in an attempt to find the one best course to fit the circumstances of a given situation? The view taken in this article is that it cannot be immaterial, so far as good business is concerned, whether or not a firm at any given time enlarges its plant or decides to export on credit, etc. While it might appear offhand as though there were considerable "ranges of indifference" in the making of business decisions, closer examination of the areas in question will show that corporate operations are not, in fact, so whimsical.

A thorough examination of any of the above-mentioned problems of management—exporting on credit, the timing and location of construction, etc.—could serve for purposes of illustration. All have many ramifications. The rendering of the business decision as to whether or not to export on credit lies in my field, finance, and will serve as a detailed example of the point being made here. In this area it is very difficult indeed to conceive of a situation in which a competent seller-exporter could be indifferent. First, there are the more obvious considerations. Whether or not to export on credit will, of course, depend partly on the buyer's credit standing and upon whether the seller is faced with a buyers' market or a sellers' market. It will depend, furthermore, upon whether the seller is in a position to finance his customers and upon whether he himself can obtain credit facilities at banks, and, if so, at what stage of this transaction—at the beginning of the transaction, during the transaction, or after the transaction. Assuming that he has a line of credit with his bank, does this line cover the purchase and/or discount of documentary time drafts drawn upon his foreign customers? If so, is this particular foreign buyer a resident of a country in which the bank has had satisfactory collection ex-

[1] A. G. Hart, *Money, Debt, and Economic Activity* (New York: Prentice-Hall, 1953), p. 477ff.

[2] *Ibid*, p. 478.

perience? There are areas of the world to which no exporter would consider shipping under any but sight terms. Is this buyer one of the drawees approved by the seller's bank? Are the other terms of this proposed draft—terms concerning the currency in which payment is to be rendered, etc.—compatible with the conditions attached to the exporter's line of credit?

After World War II a sellers' market faced United States' exporters who therefore saw no need to offer credit terms in many cases. Furthermore, during this same period domestic bank credit expanded at a rate commensurate with the increase in production for home use, but although our foreign trade likewise increased greatly in volume, the expansion of bank credit for this purpose was very limited. The risks associated with financing in the international field were too great in comparison with the opportunities to enter into more profitable and less risky extensions of credit at home.

Second, there are important, but less obvious, considerations to be faced by the seller-exporter. These serve as further reasons why he cannot afford to be indifferent. Should the seller's position be strong enough, he may insist that the buyer of his merchandise initiate an operation with a foreign opening bank and an American confirming bank to purchase a Commercial Credit Agreement under which the foreign bank signs drafts on the buyer's behalf and both banks retain a primary liability. Under such an agreement the American seller becomes the beneficiary. He draws drafts upon the foreign opening bank, and he, or subsequent holders to whom he negotiates the accepted drafts, may proceed against either or both banks should difficulties as to payment arise. This arrangement, of course, gives the seller-exporter credit security.

In such a situation the seller might well be favorably disposed toward exporting on credit, especially since he also obtains other important advantages under Commercial Credit Agreements. He, for example, does not need to fear a cancellation of the order before shipment, as now his chances of recovery for breach of contract are much improved since there is no necessity for becoming involved in a lawsuit in the courts of the buyer's country. Instead, there are two other alternatives. He may sue the American confirming bank in American courts, or he may sue the foreign buyer's bank in American courts by attaching the assets which this foreign bank holds in the United States.

Then, too, a seller gains who has the advantage of his own already-established line of credit for the discounting of drafts drawn on his foreign buyers. He gains in that those drafts covered by his customer's Commercial Credit Agreement are not charged against the seller's own line of credit. Thus the seller's line is freed for the financing of foreign sales and shipments to other buyers not covered by Commercial Credit Agreements. Nor is this all.

In all stages of fluctuations, conversion difficulties present still other dilemmas of the less obvious type to exporter-sellers—another reason for believing that no "range of indifference" exists in the making of export credit decisions. In these postwar years there have been many long delays in the transmission

of dollars to American exporters even though the foreign importer has paid cash, discharging his obligation promptly in his own currency at established rates of exchange. This situation arises at times because of the dollar shortages of certain nations. Meanwhile, the American exporter awaiting payment does not receive interest on these delayed funds. In a country where such foreign exchange controls prevail, however, if the foreign buyer is required by the American exporter to establish a Commercial Credit Agreement, such difficulties may be surmounted. The buyer's bank, now the drawee of the seller's drafts, will as part of the agreement obtain in advance from the proper governmental authorities the permission to make dollars available to the American seller. This permission is always granted when the foreign imports are of an essential nature. Should permission be withheld, no Commercial Credit Agreement is even consummated. Thus it becomes apparent that all requests to export on credit do not arise with the foreign buyer. Rather, it may be the seller-exporter's idea that certain arrangements be made to export on credit in preference to cash payment—this because of conversion difficulties and because he does not wish to have his capital frozen abroad in the form of idle balances in foreign currencies.

These dollar shortages will remain significant in the foreseeable future. They are not associated entirely with past wars, but are also the result of other factors; for example, localized crises, like the Suez Canal episode, cause readjustments in the trade plans of many nations.

The above discussion includes the major considerations that exporters faced with the necessity of rendering credit decisions must weigh. Faced with thoughts of all these matters, it is certainly unlikely that any exporter has any significant "range of indifference" with regard to his credit decisions. Instead, he must plan carefully. In fact, most efficient modern corporations cannot get along without careful planning of all their major business decisions. Herrymon Maurer's recent book, *Great Enterprise,* portions of which appeared in *Fortune* magazine, constitutes a study of the daily behavior of fifty large companies selected for pre-eminence in their various fields. He finds that decisions are made for time periods varying from one to fifty years ahead. With regard to construction, for example, Maurer states that companies such as Du Pont and Union Carbide typically start now to plan factories

> whose specifications and costs cannot be determined for five years, whose construction cannot begin for six or seven years, whose production rates and prices cannot be determined for eight or nine years, and whose sales cannot begin for ten or eleven years.

This is not to imply that these plans are not sometimes subject to change. It is very unlikely, however, that they will be altered without a reason or that they are characterized by "indifference."

If, then, there are no "ranges of indifference" in the determination of important business decisions, should this be construed to indicate that there is no role for management to play in economic stabilization policy? The answer is no. What is needed is a more careful examination of business enterprises in

order to more adequately assess their possibilities as economic stabilizers. Thus it appears, for example, that instead of "ranges of indifference," there are in the business world "ranges of ignorance" with regard to such matters as development, research, and credit policy. As a result, either wrong decisions are made or else the decisions arrived at come too late.

With reference to the last three years, for example, much of the 1955–56–57 expansion of construction should have been deferred to the 1958–59 period, thus retarding the tendency during the upswing to do simultaneously everything which results in pyramiding, when, in fact, there is as much reason to make plant investment in the slack periods for the sake of cost reduction and integration as there is to make plant investment during prosperity for the sake of volume. Yet, by early 1957 business investment in plant and equipment had proceeded at a rapidly expanding rate well beyond the need of current operations. Excess capacity appeared in many industries, including steel, automobiles, and household appliances, as well as building materials. Outlays for plant and equipment in the manufacturing industries increased 30% from the last quarter of 1955 to the fourth quarter of 1957.

The attention of trade associations, chambers of commerce, the Committee for Economic Development, and other private groups interested in economic stabilization might well be directed toward setting up machinery to cope with the problem of dispelling "ranges of ignorance" in whatever areas these may be found. These business groups could pin-point the trouble spots and be aided in the process through consultation with their members. Included would certainly be the necessity for more adequate economic forecasts geared to the various needs of the members, better coordination in the planning of investment, and more adequate information on foreign buyers. With additional knowledge and helpful suggestions available, the chances seem good that firms would heed the recommendations of their own organizations, assuming that the associations pushed their campaigns with reasonable force and enthusiam. This would seem to be a more realistic and fruitful approach to the problem of instability than to proceed from an assumption of the existence of "ranges of indifference."

Ohio State University FRANCES W. QUANTIUS

INFLATION: A THEORETICAL NOTE

In one of Professor Schlesinger's articles published in the *Journal*[1] the second fundamental equation of Keynes' *Treatise on Money* (1930) was advanced as the best all-round theoretical treatment of the problem of cost-inflation (referred to elsewhere with reference to the 1956–57 inflation as "cost-push inflation," "wage inflation" and "administered-price inflation"). He stated this equation showing the forces causing changes in the price level as a whole (*II*) as follows:

[1] See James R. Schlesinger, "The Role of the Monetary Environment in Cost-Inflation," *Southern Economic Journal,* July 1957.

$$\Pi = \frac{E}{O} + \frac{I - S}{O},$$

when

E was earnings,
O was the output,
I was investment, and
S was savings.

In the equation price level changes could result from two sources. On the one hand, there was the ratio of earnings to output (i.e., E/O) and, on the other, there was the ratio of the investment and saving to output (i.e., $(I - S)/O$). The former of these represented efficiency-wages. "Prices might rise if the Wage System brought about spontaneous changes in efficiency earnings," as Professor Schlesinger has said.[2] This ratio was assumed to be fixed in the *General Theory*. The other ratio, however, included the concept of profits and was the mainspring of change in the price level for the output as a whole.[3] It occupied "the center of the stage" in the *General Theory*, although with some changes.

It would seem in order to restate the equation in terms of the language growing out of Keynes' *General Theory* (1936), although the meaning attached to the above symbols has a definite familiarity. This restatement would seem in order for two reasons.

(1) The equation represents the best all-round theoretical treatment of the problem of cost-inflation, as Professor Schlesinger himself has noted.

(2) The problem of inflation of the post-war form, particularly that of 1956–57, and anticipated inflation has recently grown in importance.[4]

A restatement of the relationship between the post-Keynesian concept of demand inflation along the lines of the tautological formulation of the quantity equation may be presented briefly. In the post-Keynesian concept of demand inflation upward movements occur in the price level when planned saving is less than planned investment at the instant in time when the plans for that time become historical data or when actual saving and investment become *ex post* quantities. The relationship is shown in Figure 1. In that figure the magnitudes for saving (S) and investment (I) as *ex post* quantities as well as planned saving (S') and planned investment (I') are shown on the vertical axis and aggregate income (Y) is shown on the horizontal axis. The schedules are plotted

[2] See Schlesinger, *op cit., p. 14*. It may be noted that Professor Schlesinger has dealt with the cause of such changes at greater length. See James R. Schlesinger, "Market Structures, Union Power and Inflation," *Southern Economic Journal*, January 1958.

[3] See John M. Keynes, *A Treatise on Money*, Vol. I (London: Macmillan and Co., 1950), p. 140.

[4] See *The Relationship of Prices to Economic Stability and Growth*, Compendium of papers submitted by panelists appearing before the Joint Economic Committee (Washington, D. C.: U. S. Government Printing Office, 1958); Arthur F. Burns, *Prosperity Without Inflation* (New York: Fordham University Press, 1957); and *Economic Report of the President* (Washington, D. C.: U. S. Government Printing Office, 1958), p. 4.

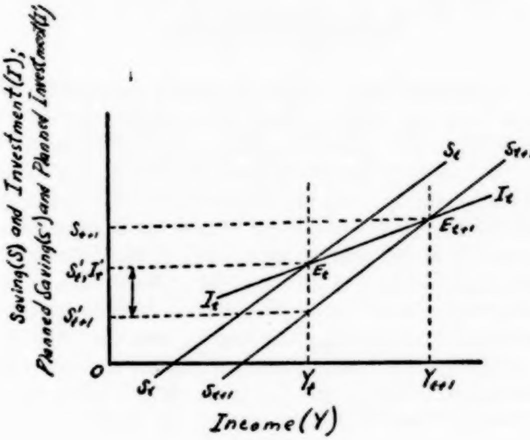

FIGURE 1

as a function of income with the saving schedules having the greatest slope. Saving schedules are shown for time zero (S_tS_t) and time one ($S_{t+1}\ S_{t+1}$). Also, it may be said that the only historical data for actual saving and actual investment are represented by the points (E_t and E_{t+1}) where the two saving schedules intersect the investment schedule. The other magnitudes represented by the schedules (as well as those representing actual saving and actual investment) may be referred to as simply plans.

The schedules in Figure 1 show what would happen under given conditions if income changed, and the downward movement in the saving schedule from time zero to time one represents a change in the parameters or conditions underlying the schedule. A change of this nature may be brought about, for example, by a combination of exogenous factors such as an appealing change in automobile styles combined with an aggressive advertising campaign. The downward movement in planned saving (from S_t' to S_{t+1}') at a given level of income (Y_t), however, results in greater total effective saving (S_{t+1}). This results because of an increase in income (from Y_t to Y_{t+1}) and more saving as measured in current dollars without there necessarily being any change in output. The movement of the schedule showed planned saving moving downward (from S_t' to S_{t+1}') so that at a given level of income (Y_t) planned saving was less than planned investment (i.e., $S_{t+1}' < I_t'$). The difference is shown by the arrow in Figure 1.

With the above explanation in mind we may restate Keynes' second fundamental equation when, in addition to S' and I' above,

E is the payments to the factors of production,

O is total output or aggregate income in constant dollars.

Π is the general price level (base year = 1.00 × 100),

Thus:

$$\Pi = \frac{E}{O} + \frac{I' - S'}{O}.$$

Any imbalance in planned saving (S') and planned investment (I') would result in a change from the general price level in the base year. If planned investment was greater than planned saving, a positive change would occur (i.e., $(I' > S')/O)$; there would be an increase in the price level. Then too, changes in the ratio representing efficiency-wages (E/O) would move in a complementary fashion due to escalator clauses in wage contracts and the accompanying change in the general price level. Under these conditions payments to the factors of production (E) would increase without a corresponding increase in output or productivity. In other words, the ratio of efficiency wages would move upward, reflecting wage increases greater than productivity gains. Moreover, if aggressive and powerful labor unions extract other wage increases not offset by productivity gains then the ratio of efficiency wages moves further above the price level in the base year (i.e., $(E/O) > 1.00 \times 100$), and so on.

University of Florida WILLIAM J. FRAZER, JR.

BOOK REVIEWS

Ricardian Economics: A Historical Study. By Mark Blaug. New Haven: Yale University Press, 1958. Pp. x, 269. $5.00.

A book of this kind presents special difficulties to a reviewer, compounded on those presented to its author. As Professor Blaug says (p. 4) "the history of ideas is a matter not so much of what is said, but of why it was said." Apart from the question of why anything was said, and of why anything is now said about it, what needs explaining is the *errors* made; but that calls for comparison with "truth," so that the writer of such history exposes himself to very wide differences of opinion. One may recognize two roughly distinct tasks of the historian: to convey factual information about the verbal content of earlier statements and their context, and interpretation and criticism. The former task will yield to hard and competent work, but critique runs into ideologies and prejudices; the history of histories of economic thought suggests that there may be no definitive treatment until after all the important questions raised by theory itself have been laid to rest.

From the former of these standpoints, Blaug's book clearly merits high praise. He has done an impressive amount of reading, of Ricardo and related literature, contemporary and later, and has read with critical scrutiny. His mastery of Professors Sraffa and Dobb's monumental edition of the "Works" has been no slight task. While absolute completeness or perfection is a chimera, a critic would need minute information to find much ground for reasonable objection. On the side of interpretation and evaluation, much more may be said. The difficulty here is selection and brevity of statement. An average page of the book will suggest one or more issues that could be discussed far beyond the length of a review.

For greatest hope of being useful, within allowable compass, I shall build on the problem indicated, which is raised early in the book itself. The previous work in this field that has most impressed me for objective insight and reporting is Cannan's well-known *Theories . . . from 1776 to 1848.* Blaug cites this (p. 4) as an "onslaught," and quotes Professor Ogilvie's comment that its "destructive critique" must convey the feeling that "all economists [covered by the title] must have been not merely silly but almost imbecile." Now this conclusion is not justified at all. Failure to see, or understand, things which finally become obvious, even trivial, is characteristic of our race, and of its "best minds" (in economics and other fields). Similarly, generalizations now manifestly absurd were long accepted as "gospel," with implications fallacious in every degree. This is strikingly true of David Ricardo (in the writer's judgment, "considered" over more than four decades); and even more true of his leading followers, since McCulloch and the two Mills did write in a way to suggest that they were saying about what they intended to say.

Accordingly, I would rephrase a statement of Blaug (same page): instead of saying that "seen through the lenses of the 'marginal revolution,' classical

political economy [appears as] a graveyard of elementary blunders," it would read, "seen through the open eyes of common gumption." For, it is surely self-evident, if anything ever is that economic behavior strives to maximize a desired result of using means, that the result is increased by moving any increment of a means from a use in which it adds less to the total to one in which it adds more, and hence that a maximum is achieved by an allocation that makes the incremental result equal in all the alternative uses. (Ignoring "thresholds," limited divisibility, and other refinements.) But after nearly two centuries (since Adam Smith) the arithmetic of dividing a joint effect among co-operating causes by "imputation" to small increments is still making its way into elementary instruction. (Particularly in the field of "utility" where the first major break-through occurred in the **1870's**.)

For this reviewer, then, talking sense about the classical economists must begin by considering "why" they produced so little sound common-sense analysis of economic activity and its organization through pricing in markets. The first "reason," no doubt, is their preconception that only "labor" is productive (with the corollary, the labor-theory of value). Another root fallacy is the primitive "physiocratic" prejudice that the "end" in economic life centers in a "surplus" above ordinary consumption as a "cost." Ricardo somewhat broadened the original conception of the content (*Principles*, Chap. XXVI) but was essentially more physiocratic than Smith, whom he criticized for leaning toward the narrower view of the French *Economistes* (Blaug, p. 95). Regarding the "end," Smith was inconsistent, and Ricardo "corrected" him by seizing the wrong horn of the dilemma—as he did in other fundamentals, such as the theory of rent and the "labor-theory." The more general error, specifically in Ricardianism, is the gross misconception of the "means," i.e., the productive-factors and their inter-relations. Apart from ignoring the symmetrical complementarity of all agents in use (recognized by Smith in Chaps. VI and VII) the crux here is two errors in the notion of capital. (Passing over the compulsion to make "wealth" instead of income the central category.) The less important (perhaps) is failure to recognize technology as a field of investment, along with others, naturally increasing the demand for capital in other forms, alone (vaguely) considered.

Eschewing any detailed analysis, the other (greater?) error is one that Blaug credits to Ricardo & Co. as an insight, anticipating Böhm-Bawerk (pp. 59, 19 and n. 36, and repeatedly elsewhere). That is the strange conception of capital as stored labor (or "primary resources") with the role of increasing the length (roundaboutness) of a physical production process, and hence the nature of intermediate products between unproduced agents and consumption. To begin with, it clearly does not matter whether a "farmer" raises "corn" in an annual cycle, or oak-trees in one of two hundred, *if* the yield—*of all resources used*—is constantly re-invested. Trees merely do this automatically, and it is what normally happens in capitalistic society. It is also immaterial what form the re-investment takes, or what is the physical turnover-period. (Immaterial for the nature of capital and its rate-of-yield; it is vital for the theory of profit,

correctly defined, since a shorter period reduces the interval of anticipative commitment, hence the "uncertainty.") The dimensions of production are the same for all agents—a quantity times an interval of use; if there is "accumulation," any excess of production over consumption, the difference must be added to the quantity of capital, regardless of what agents produce the excess.

I hold that such tardiness in recognizing obvious and familiar fundamental facts is the major lesson to be learned from study of the history of theorizing. Blaug seems to see most of this (apart from the last point); carefully read, his book is a criticism of Ricardian Economics, not a defence. Failure to bring out the shortcomings more clearly is a blemish on a treatment of great potential value to students. Its great merit (as already noted) is in the historical information it contains. I do not pretend to the scholarship needful for criticism in detail, even if space allowed. I have been most impressed by the setting of the literature in contemporary political controversy; also in the treatment of "secondary" writers—Longfield may be singled out—and pamphleteers. In relation to policy, the free-trade issue is mainly stressed. If one were interested in defending Ricardo's personal reputation (whatever relevance that might have) more attention might have been given to views on money and inflation; he surely shows up much better there than in his theories on price and distribution. Blaug's main treatment is given under the head of "The Invariant Measure of Value" (pp. 15ff) and much of his argument I cannot follow. It seems to need clarification of the relation between the "cause" of value and its measurement, an issue raised especially in Smith's chapter on "Real and Nominal Value" (Ch. V in the W. of N.). It was later treated (not very satisfactorily?) by von Wieser, in the "philosophical" and "empirical" accounts. A useful discussion is in A. C. Whitaker's *Labor Theory of Value in English Political Economy.*

This review is sketchy, and doubtless unduly negative in tone, but is already over-long. The book is to be commended, for "critical" reading; I have learned much from it. There are interesting Appendices, on "Ricardo and Marx," "Malthus and Keynes," and "McCulloch's Critique of the Factory System." A reviewer's task would have been lightened by better indexing; the index of names is by no means complete and that of subjects seriously inadequate.

The University of Chicago FRANK H. KNIGHT

The Economy of the American People: Progress, Problems, Prospects. By Gerhard Colm and Theodore Geiger with the assistance of Manuel Helzner. Washington, D. C.: National Planning Association, 1958. Pp. viii, 168. $2.00.

As its title suggests, this small book attempts to perform a very large task. The authors seek to explain, briefly and in language intended to reach a large segment of the general public, the nature, achievements, problems, and probable future of what they term "the economy of the American people."

Part 1 attempts to explain how this economy has achieved its high levels of productivity and material well-being. That these levels are indeed high is briefly documented at the outset. The chapters that follow deal in turn with

natural resources, labor, business management, research and technology, capital, and government. Although the authors acknowledge the importance of each of these factors, they do not believe that the special quality of the American achievement can be found in any of them. Rather, great stress is placed upon the values and institutions of the American society, and especially upon what the authors claim to be certain "indigenous American characteristics." The American people are, it is stated, optimistic, pragmatic, rationalistic, open-minded, and cooperative. They value work, skill, material well-being, individual flexibility, and mobility.

Part 2 deals with the problems and prospects of the economy. In a general sense, the problem of the American economy is said to be the reconciliation of the Hamiltonian ideal of growing national wealth and power and the Jeffersonian ideal of individual freedom and self-reliance. Specifically, the economy is confronted with the task of achieving balance in its economic growth; of further improving income distribution and eliminating remaining pockets of poverty; of preventing undue concentration of economic power; and of contributing to an expanding and prosperous international economy. The authors believe that great progress has been made in resolving each of these problems, but they concede that the problems do persist. Part 2 concluded by a chapter dealing with the prospects of the economy. The authors are very optimistic, although they observe that the great new problem of achieving a satisfying quality of life in a society of abundance and leisure time has yet to be fully confronted.

This book is a clear, concise, and interesting summary statement. Despite the title, it does not really pretend to be encyclopaedic, although it does cover a great deal of ground. Neither does it attempt to provide a factual or statistical handbook, although it contains a useful Appendix containing a number of tables. The book is primarily concerned with analysis and with presenting a point of view. The ideas presented are in the public domain of economists, but they are here clearly stated and presented to a presumably larger public. Taken for what it is, this little book should be stimulating and useful to a great many readers.

It is not altogether clear just who these readers will be. The book is not written in popular style, and neither is it written in the language of the journals. Few professional terms are used, yet much of the analysis really rests upon prior knowledge by the reader of a large body of economic literature. It is hoped, however, that the book will find its true audience, because it has something to say.

Only one major reservation must be entered. The tone of the book is one that may prove jarring to many a non-American reader and to some American readers. The authors are deeply satisfied with the economy of the American people, and although they note problems, most of these they sketch as already well on the road to solution. The emphasis upon "indigenous American characteristics" and American values and institutions, in explaining American economic accomplishments, also raises some unanswered questions and may have a faintly provincial ring. The book may encourage some readers to be more

complacent than is justified in view of the problems still to be surmounted and the era still to be survived by the American economy.

North Carolina State College C. ADDISON HICKMAN

Selected Papers on Economic Theory. By Knut Wicksell. Edited with an Introduction by Erik Lindahl. Cambridge, Mass.: Harvard University Press, 1958. Pp. 292. $6.50.

This volume makes available in English a number of Wicksell's articles that were heretofore available only in Swedish. The articles were mostly published in *Ekonomisk Tidskrift* during the first quarter of the present century. Lindahl states in the preface that the purpose of the present volume is to enable the reader to obtain a fuller view of Wicksell as an economist than is possible by reading only his major works which are already available in English. In addition to Wicksell's articles, the volume also contains an interesting introduction by Lindahl on "Wicksell's Life and Work."

The articles in this volume are divided into four groups. The first group consists of two early lectures, one given as Wicksell's inaugural lecture at the University of Lund explaining his views on economics in general and the other giving a summary of his monetary theory. The latter article, "The Influence of the Rate of Interest on Commodity Prices," presents a succinct statement of Wicksell's view that changes in the price level are occasioned by the divergence between the natural rate of interest and the rate of interest on money. This article might well serve as a useful introduction to Wicksell's more detailed exposition in his *Interest and Prices.*

The second group of articles contains three papers dealing with the theory of production and distribution. The three papers deal primarily with Wicksell's contributions to the Euler's Theorem controversy (or the exhaustion of the product problem). While these articles are made available in English for the first time by the present volume, many readers are already aware of their content via George J. Stigler's outstanding history of this branch of theory (*Production and Distribution Theories, the Formative Period,* New York, 1941). As Stigler has noted, it is interesting that Wicksell "rediscovered" the marginal productivity theory of distribution in the first of these articles published in 1900 despite the fact that the marginal productivity theory was well imbedded in his *Value, Capital, and Rent* published in 1893. The articles in this group, particularly the first two, may again serve as useful introductions to Wicksell's major works on the subject.

The third group of articles contains six papers giving Wicksell's evaluation of the work of some of his comtemporaries. The first two papers are devoted to rather detailed criticisms of Pareto's two famous works, *Cours d'économie politique* and *Manuel d'économie politique.* The third article presents a sympathetic, but critical, review of Böhm-Bawerk's *Positive Theory of Capital.* The third and fourth papers review the work of Carl Menger. It is interesting to note here that Wicksell felt that it was tragic that Menger wasted so many years in "literary feuds" with the German Historical School in an effort to justify his

method. Wicksell points out that "if one wishes to defend a method, the way to do so is to *use* it not talk or write *about* it (pp. 193–94, italics Wicksell's). The last article in the third group is a review of A. L. Bowley, *Mathematical Economics* (Oxford, 1924). This review also contains Wicksell's views on the use of mathematics in economics. Wicksell's views in this respect are similar to those of Marshall.

The last group of articles consists of three papers in the field of international trade. The first article presents Wicksell's views on foreign exchange rates while the last two deal with tariffs. The last article, an abstract and rigorous consideration of the effects of tariffs, was written during Wicksell's seventy-fourth year and provides testimony to the vigor of his mind during his advanced years.

The reader will also find Lindahl's account of Wicksell's life to be highly interesting. Wicksell was a zealous social reformer. He participated in public debates on population questions and was a strong advocate of birth control. His publicly stated views on religious matters once resulted in a prison term. Readers in this country will be interested in the fact that Wicksell did not obtain a permanent academic post until he was forty-nine years old and after he had made his most important contributions to the field.

This volume can be pursued with profit by economists. Not only does the book provide a fuller understanding of one of the giants in the development of economic theory, but it also has much to offer that is useful in contemporary theory.

Tulane University HOWARD G. SCHALLER

The Control of Inflation. By J. E. Meade. New York: Cambridge University Press, 1958. Pp. 52. $1.00.

In this brief volume, which is an inaugural lecture delivered at the University of Cambridge, Professor Meade considers "how one can best put a stop to the inflation of prices." After reviewing the effects and mechanics of inflation, he analyzes (1) the government's committing itself to control the level of monetary expenditure to prevent selling prices from rising above a given ceiling, (2) the problem of stopping price inflation without endangering production and employment, and (3) the effectiveness of the instruments of control in monetary and fiscal policy.

Professor Meade argues that it should be possible for the government to stop inflation, but points to the dangers involved unless there are reforms in the methods of wage determination. He presents a number of positive proposals designed to aid in the application of a government policy to stop inflation. These concern the nature of the government's commitment, the composition of the price index, the labor market, administrative machinery for the implementation of stabilization policies, and the foreign exchange rate. A relatively large amount of space is used to describe and evaluate the use of stabilization levies on personal incomes as a means of controlling demand.

This is a concise, carefully thought out statement of the problems of in-

flation and its control. Of course, the proposals presented fit, in reverse, a period of deflation, which, in Professor Meade's opinion, "is even more important to be in a position to offset ... than to stop ... inflation." The plan presented involves a considerable amount of direct government control, particularly in the labor market.

The book is not difficult and is suitable as collateral reading for undergraduates.

Davidson College CHARLES E. RATLIFF, JR.

Business Planning for Economic Stability. By Henry Thomassen. Washington, D. C.: Public Affairs Press, 1958. Pp. iv, 60. $2.00.

This book represents an attempt "to outline the chief implications of a business acceptance of the cycle problem" (p. iv). The author poses some of the difficulties, tangible as well as intangible, that are involved in (1) interesting the businessman in coming to grips with cycle planning and (2) the fact that too little is yet known about the behavioral aspects of cycles.

The author's statement that "the principal responsibility for anti-recession action is in thought, at least, being shifted to the business world" (p 4), is accurate but temporal. If conditions favorable to the shift remain in effect long enough to engage the attention of a majority of businessmen, it would seem possible that business planning might lead toward a solution of the problem of economic fluctuations. But to do so, in the author's own words, "The businessman must display a quality of foresight and of recognition seemingly as well developed as that of today's outstanding theorists" (p. 9).

The author's use of the term "business planning" refers "to that form of planning consciously undertaken by the existing independent business units of American society for the expressed purpose of moderating business fluctuations" (p. 2). Not just the stability of the firm but aggregate stability is the goal to be sought in Thomassen's scheme. Although some firms are actively engaged in this kind of planning they are, for the most part, the very large firms. And, though few in number, their outputs represent a disproportionately high percentage of production contributed by the various industrial groups. Since small business units either are not interested in the kind of formal planning or are incapable of providing the resources for the task that large corporations assign to "progress planning," Thomassen's work assumes a vast educational program to induce small firm managements to undertake the studies necessary to provide a foundation for business planning. However, there is in his proposal a thinly veiled hint that the tendency toward business concentration will assure its success.

The book has weakness—caused more by its brevity than by sins of commission. For, to reduce one of the most complex, persistent problems of our times to 55 pages of text, even though only one facet of the subject is at issue, is to over-simplify much territory of real significance.

To this reviewer, Thomassen's book does qualify as one of the more intel-

ligent current efforts in the expanding competition amongst intellectuals for a hearing by business leaders.

University of South Carolina ROBERT W. PATERSON

The Income-Tax Burden on Stockholders. By Daniel M. Holland. Princeton, N. J.: Princeton University Press, 1958. Pp. XXVI, 241. $5.00.

Corporate earnings in the United States are subject to "double taxation." This results in the non-equivalence of tax liabilities between corporate income and personal income. This book, by Professor Holland of New York University, is a major contribution to the study of how this non-equivalent American tax structure results in "undertaxation" for some classes of stockholders and "overtaxation" for others.

Holland uses four measures to test the extent to which stockholders were differentially taxed in the period from 1940 to 1952. Primary emphasis is placed on the findings for 1950, the year for which complete data was most recently available when the study was undertaken.

The first measure, and I think the most meaningful, is the differential against earnings for distribution. This is a measure of the percentage that the net extra burden in the distributed part of net corporate earnings is of total distributed earnings. The net extra burden is computed by subtracting the potential personal income tax on earnings for distribution from the actual combined corporate-personal income tax on the distributed earnings part of stockholder income. This differential is a declining function (but always positive) of stockholders' income, varying from 34.3 percent for stockholders with an imputed gross income of $1,000 to 10.0 percent for stockholders with an imputed gross income of $100,000.

Holland's second measure, and most questionable one, is the differential against earnings for retention. This differential was found to be positive at low and middle income levels and negative at high income levels (that is, earnings for retention were undertaxed at this level). Holland imputes earnings for retention to the taxable income of stockholders. "The sole reason for using the device of imputation is the belief that the quantitative weight of the special tax treatment of corporate earnings can best be measured by relating this income share to the income level of its claimants" (p. 8). I fail to see the economic sense of such a procedure. In point of fact, undistributed earnings, as Holland is well aware (p. 119), is not a source of income except through an increase in net worth. Stock prices, however, do not do a good job of reflecting retained earnings. There may be either a positive or negative relationship between stock prices and retained earnings.

The third measure considered is the differential against net corporate earnings. "The differential in this connection is a weighted average of the differentials against earnings for retention and earnings for distribution" (p. 49). Holland finds that stockholders with incomes over $150,000 were undertaxed. The usefulness of this measure, as in the case of the differential against re-

tained earnings, can be judged by whether or not one thinks it realistic to allocate retained earnings to stockholders' income.

Holland's final measure is the differential against stockholders' income. The measure shows how much heavier the incomes of stockholders from all sources of income were taxed under our present tax structure than they would have been if the corporate income tax were abolished and all corporate income were allocated to stockholders, subject to the personal income tax. This measure does not decline smoothly. Rather, it increases from 5.7 percent in 1950 for stockholders with $1,000 incomes to 9.9 percent for those in the $10,000 income level, and then declines, becoming negative at about the $150,000 income level.

Alternative measures of the differentials are also considered. The most important of these are adjustments for shifting of corporate taxes, changes in the price level, and using corporate savings to avoid personal income taxes. In addition, he briefly tests for (1) imputing only earnings for distribution, (2) imputing only a fraction of retained earnings, and (3) a correction for underreporting of dividends. The preceding considerations, Holland feels, result only in minor changes in the patterns of his differential.

Finally, the relief provisions of the Internal Revenue Code of 1954 were considered. Holland finds that "... the relief provisions moderated overtaxation only slightly (and after a point inversely to the rate of overtaxation) while under-taxation was made more pronounced" (p. 194).

Except for the question of the imputation of retained earnings in stockholders' income, this book is a model example of how empirical research should be conducted in economics.

Oklahoma State University JOHN J. KLEIN

Corporate Bond Quality and Investor Experience. By W. Braddock Hickman. Princeton, N. J.: Princeton University Press for the National Bureau of Economic Research, 1958. Pp. xxx, 536. $10.00.

This is the second of three volumes on bonds of American corporations by W. Braddock Hickman. The first, *The Volume of Corporate Bond Financing Since 1900,* appeared in 1953. The third, *Statistical Measures of Corporate Bond Characteristics and Experience,* is promised for later publication. The three contain the findings of the NBER's corporate bond research program, a part of the Bureau's more extensive Financial Research Program.

Hickman explains clearly and concisely just what bonds are covered by his study:

> The field of investigation is the universe of straight corporate bonds offered during 1900–1943, including those outstanding on January 1, 1900. Straight corporate bonds are defined as fixed-income, single-maturity bonds offered by domestic business corporations and held by the domestic investing public. The study covers all large straight issues (those with total offerings of $5 million or more) of railroad, public utility, and industrial corporations, and a representative 10 percent sample of small straight issues (under $5 million). Excluded are real estate mortgage bonds (principally issues secured by office buildings and residential property) and bonds of financial corporations (p. 5).

"Corporate bond quality," to elaborate on the first part of the book's title, is indicated by investment agency ratings, status with respect to the legal lists of New York, Massachusetts, and Maine, market ratings, earnings coverage, lien position, and, at least by implication, size of issue and size of obligor. "Investor experience" is appraised in terms of realized yields as compared with promised yields, default rates, and default losses. Each category of bonds as determined by the various indicators of quality is exhaustively analyzed with respect to each of the measures of investor experience.

The nature of the analysis may be illustrated by describing the chapter on agency ratings. The agency ratings used (Fitch, Moody, Standard Statistics, Poor—the latter two both before and after their merger) are described and the basis for determining a composite agency rating for each issue is explained. Nine composite ratings—I to IX—are used, the first four designated as high quality and the other five as low quality. The volumes of bonds outstanding at the beginning of each fourth year, 1912–1944, distributed by ratings grouped I–II, III–IV, and V–IX, and not rated are given. The aggregate is subdivided into railroad, public utility, and industrial issues and into large and small issues. Essentially the same type of information is given for bonds *offered* during each of the four year periods. Next, the extent to which agency ratings, once assigned, tend to change, particularly with respect to cyclical changes, is carefully presented. These matters are all concerned with agency ratings as an indicator of bond quality. The remainder of the chapter deals with investor experience with bonds having the various ratings. First an exhaustive analysis of default rates on bonds assigned the various ratings is given. Here, again, the basic industrial categories, large vs. small issues, and year of issue are all used. Default losses, as contrasted with default rates, are next examined for each of the bond classifications. Finally, yields and loss-rates of bonds in each of the classifications are presented both for the life span of the issues and for certain selected chronological periods.

A few of the conclusions, again from the chapter on agency ratings, will illustrate the nature of the findings presented throughout the book: "... the record of the agencies over the period studied was remarkably good in so far as their ratings pertain to risk default. Although mistakes were made, with great regularity issues rated high grade at offering and at the beginning of assumed chronological investment periods had lower default rates than those rated as low grade" (p. 141). (The agencies should certainly be red-faced had this not been true!) "... investors seeking price stability or the avoidance of heavy defaults did better during the full period studied by concentrating on the top grades. Conversely, large investors, particularly those able to withstand defaults and in a position to acquire issues in corporate reorganizations, could have obtained higher returns on the average on the low grades" (p. 142). It should be pointed out that this was true after taking into account the heavier default losses on the lower grade issues.

As an aside, it may be emphasized that the relative success of the individual rating agencies is *not* presented. The data for such a comparison must certainly

be somewhere in the records on which the study is based. The implications of such a project is fascinating, to say the least.

But back to Hickman's volume. Similarly exhaustive analyses are made on the basis of each of the other indicators of bond quality mentioned above. These analyses are preceded by a chapter examining investor experience with the aggregate of bonds covered by the study. "Life-span yields realized on the aggregate of bonds studied equaled yields promised at offerings, so that the net loss rate . . . was zero" (p. 25). In this chapter, the aggregate is broken down into a more detailed classification of industries than that found in the rest of the book. Further, there is a chapter comparing the agency ratings, the market, and the legal lists as aids to investors. Each has its own advantages and disadvantages.

The purpose of the book appears basically to present an historical account of how investors in corporate bonds during the period 1900–1943 fared. "Fared" must be interpreted rather restrictively, for while the effect of changing price levels upon bond investors is acknowledged (p. 8), no attention is given to this problem in the study. Success—or lack of it—in bond investment is considered solely from the standpoint of recouping the dollars invested in the bonds, plus, of course, a return on these dollars. Since the types of bonds that might have been purchased are myriad, the ways in which hypothetical and actual groups of bondholders might have fared are equally numerous. The few conclusions already noted will have to suffice.

The book presents clearly the results of a study conducted in a highly competent manner. Researchers in this and related fields will obtain much methodological aid from reading it. With respect to the more fundamental question of the significance of the book an equally high mark must be given it if it is judged solely as a study in economic history. What transpired has been determined and ably set forth. But judged as a treatise on investment policy—and it is from this standpoint that I think it should be judged—some reservations must be made. Does an historical examination of investor experience with large categories of corporate bonds, and with the aggregate of such bonds, during a tempestuous period of 44 years, which ended a good 14 years before the book appeared, carry any implication for future investment action? About all the advice for the small investor is that he should stick to high quality bonds. The large institutional investor and those responsible for their supervision get somewhat more help. They will learn that they had a fairly satisfactory set of guides in agency ratings, market ratings, legal lists, earnings coverages of a given level, etc., even though these guides were not too helpful with railroad bonds. They will be told in unmistakable terms: "It is not good policy to sell defaulted bonds," a lesson at least a few of the institutions learned the hard way. They will learn that these things were true, at least, for the period covered by the study. But as the author repeatedly and quite properly warns, many changes have occurred that might upset the applicability of the findings to the present.

University of Florida JOHN B. MCFERRIN

Labor Unions and Public Policy. By Edward H. Chamberlin, Philip D. Bradley, Gerard D. Reilly, and Roscoe Pound. Washington, D. C.: American Enterprise Association, 1958. Pp. ix, 177. $4.50.

This collection of four essays was on the whole rather disappointing to this reviewer. But perhaps the title and the known scholarly abilities of the four contributors lead one to expect too much. The volume is not so much concerned with public policy regarding unions as it is with stating an economic and legal case against the power and immunities from legal action developed by the labor movement over the last twenty-five years.

The Bradley essay entitled "Involuntary Participation in Unionism" is the best of the group. It zeros in on the "free rider" issue used so commonly by proponents of compulsory unionism to justify their position. Through closely reasoned economic analysis Bradley casts doubt on whether or not the non-union man in a collective bargaining unit is really a free rider. He questions whether or not unions in general create benefits. Have they succeeded in increasing the general wage level and labor's share of national income? He concludes that they have accomplished neither and cites as supporting evidence the standard list of references of both pro-union and anti-union economists who have arrived at the same conclusion. His next step is to show that union activities may worsen rather than improve the economic positions of those whom they purport to represent. By bargaining for pension funds and other fringe benefits in lieu of direct wage rates, he argues that the union takes from the worker the power to decide how he will dispose of a portion of his pay check. In areas where the union is able to advance wage rates only at the expense of employment, the union does not benefit all whom it represents. These and other points lead the writer to conclude that "the individual worker may on entirely rational grounds disagree with those who charge that he is a free rider when he refuses to join the union which represents him."

The other three essays are not of an inferior quality—they simply are not outstanding in any respect. Chamberlin's essay is a perfunctory orthodox economic indictment of unions. Reilly presents a well-rounded discussion of an area which needs a great deal of thought, discussion, and competent legislative action. This is the general area of Federal versus state action in the regulation of labor-management relations. He points up both the areas of conflict and the "no-man's-land" in which aggrieved parties appear to have recourse to neither Federal nor state administrative or judicial bodies. Dean Pound concerns himself with the immunities of unions, their members, and their leaders from the duties and liabilities appointed by law which are applicable to other individuals and organizations of society.

The public policy recommendations are confined in three of the essays to the last two pages of each. In one essay they are missing altogether in explicit form. On the whole such recommendations are so vague that one can only conclude that the primary objective of the writers was the case against unions. Public policy recommendations are the logical next step, but that step was not taken in this volume.

Oklahoma State University RICHARD H. LEFTWICH

Labor Union Theories in America: Background and Development. By Mark Perlman. Evanston, Ill., Row, Peterson and Co., 1958. Pp. XV, 313. $6.50.

This book is a schematization of reflections on the role and place of unions in our society. The author veers between an effort to outline the several types of trade union theories and an equally conscious effort to include a historical survey of all publications on labor, particularly in the earlier period.

The names specifically mentioned in the table of contents are Richard Ely, Father John A. Ryan, Norman Ware, Thorstein Veblen, Carleton Parker, Robert Hoxie, Frank Tannenbaum, Henry Adams, John R. Commons and Selig Perlman, although many others are mentioned or associated in the subsequent discussion. The generalizations or reflections of these writers on the purposes or meaning of unionism are subsumed under five chapter headings of unionism as an instrument and means of moral and economic reform, as a revolutionary institution, as a psychological reaction against the dehumanizing of the worker in the machine age, as a welfare institution, and as a democratic process. The last chapter compares these five facets of unionism and comes to the conclusion that they cannot be combined into a single all-inclusive theory.

The American labor movement is an indigenous product and it is supported and held together by some of the ideas discussed in this book and by others not discussed. Labor leaders justify their course by "the increase of purchasing power" or by increasing the share of labor in relation to property and management. Other leaders have found the greatest justification of trade unionism in providing decent or fair wages and labor standards as a basis of competition (Hillman). Still others have carried this to the point where they can take the position that the higher standards imposed make it necessary for the industries to be more efficient (Lewis). "Taking wages out of competition" is a widely accepted defense of the beneficial function of unionism. Economists may support or disprove whether any of these results are obtained, but almost no one will deny that unionism gives the worker greater freedom in his relation to the employer and to management and that there is indeed a wide area of "industrial jurisprudence" which could hardly have existed without the growth of unionism.

The chapters are uneven in treatment and in their elucidation of labor union "theories." The chapter on unionism as a moral institution deals with the views of Professor Ely and Father Ryan on social problems, including some trade union policies, but it cannot possibly be considered a discussion of a theory of the labor union, except in the limited sense that there is a moralistic support for the labor movement. The chapter on unionism as a revolutionary institution deals with the various Marxist groups which operated on the fringes of the labor movement, but this also offers no theory of the labor movement. It is a discussion of factionalism which shows that the schismatic American socialist groups had no use for each other or for the existing unions because they had no "ultimate aim."

In Chapter 5, which deals with the explanations of the growth of unionism as a resultant of changing living and working conditions, Perlman really starts the discussion of his theme. Here unionism is treated as a psychological re-

action. It contains a very brief statement of Veblen's influence and goes on to summarize the theories of Carleton Parker, Robert Hoxie and Frank Tannenbaum. This effort is only partly successful. Parker is strangely revealed as a precursor of the personnel-management movement, Hoxie's genuine insights are not highly regarded and Tannenbaum's contribution, when so thinly stated, seems a world of unreality.

Unionism as a welfare institution is principally a survey of the work of George E. Barnett on the collective bargaining agreement and on union government as aspects of industrial democracy. But Barnett's faith in unionism as a vital force practically evaporated in his last years and he looked forward more to social legislation.

The chapter on unionism as part of the democratic process is the most fully treated and the most meaningful. It deals principally with the work of Henry C. Adams, John R. Commons and Selig Perlman on the role of unionism in giving propriety significance to job rights. Adams, in excerpts from earlier essays, is presented as a precursor and Commons and Perlman as the expositors and developers of the theory that unions exist for the purpose of safeguarding and enlarging job rights and protecting workers from the adverse effects of competition.

Not one of these theories deals with the power aspects of unions—the development which makes Ford or U. S. Steel "yield to reason" at the prospect of a work stoppage and which has consequently established annual wage increases of greater or less amount in good times or bad as normal; which in a few years has created an empire of benefit plans larger than that represented by the whole social security program of the U. S. Government, and largely in addition to it; which has contributed to economic analysis a whole new theory of inflation; which has changed the course of the business cycle since the classic description of Wesley Mitchell; which has become a powerful and recognized political force; and which altogether has caused one of the most penetrating analysts of our economy to describe it matter-of-factly as a laboristic economy.

The author gives you a choice of five "theories" or "philosophies." He could well have given us even a wider choice.

Library of Congress GUSTAV PECK

The Maritime Story: A Study in Labor-Management Relations. By Joseph P. Goldberg. Cambridge, Mass.: Harvard University Press, 1958. Pp. xv, 361. $6.50.

First in a Harvard University series of studies devoted to the history of collective bargaining in particular industries, Dr. Goldberg's book traces the involved and stormy history of labor relations in American off-shore shipping. He outlines the steps by which an industry, long known for sharp antagonisms between management and labor, has finally reached a stage where there is mutual endeavor for stability. He also tells of the gradual easing of the differences between the industry's unions, differences which often seemed more difficult to adjust than those with management. In fact, feeling between the rival unions

has recently become more intensified and, according to A. H. Raskin, writing in the *Times,* "no shipping company would dream of imputing to either union the villainies each regularly ascribes to its sister."

The book is not easy reading but that is the fault of the subject, not of the author. There are several plots developing simultaneously and each of the large cast of characters moves among the plots with no thought at all to the reader's ease in following him or the plot. Yet no author could tell about collective bargaining in the maritime industry any other way. What happens on the West Coast certainly affects relations at the east coast and gulf ports. Even the closing of Great Lakes ports for the winter has its influence upon the bargaining strength of the unions. Add to this the ebb and flow of government regulation, doctrinaire issues with left-wing unions, and numerous splits in labor's ranks and the history becomes involved. Fortunately the author concludes his book with chapters entitled "An Analytical Commentary" and "Conclusions and Prospects." Herein the several plots are drawn together to give the reader a sense of unity missing in the earlier chapters.

Before commencing his history, the author gives the economic setting of the industry. Facts about government subsidies, operating expenses, and competition with foreign fleets are necessary for understanding many of the difficulties of collective bargaining. Another introductory chapter describes the situation of seamen in 1900 when they were definitely second-class citizens. Wages were low, workers were subjected to a shocking system of employment through boardinghouse keepers, and were under antiquated federal legislation.

With this background, Dr. Goldberg tells the story of many heroic battles, both with employers and in Congress to gain status for sailors. Gradually, with Andrew Furuseth leading the fight, the seamen won legal protection. The new laws never seem to have been properly enforced, but even with weak enforcement the seamen were considerably better off. Some regulation of hours was obtained and regulations about deserting were modified. Also American seamen received protection from competition of foreign sailors by rules about the percentage of a crew which must understand orders given in English. The author tells how these changes have occurred since 1900 both during peace and war.

While seeking remedial legislation, the unions also strove for collective bargaining. In this area progress was slow, particularly before the passage of N.I.R.A. and the Wagner Act. In dealing with the struggle toward union recognition, the author analyzes problems of the differences between the unions as well as between unions and management. One of the most interesting of the former type concerns communist infiltration which was finally beaten back. Also interesting is the resurging struggle between craft and industrial unionism.

So strong was employer opposition, however, that unionism during the period of depression practically collapsed. The story of the years 1933–1937 is entitled "Resurgence and Disorganization." Membership grew and strikes were numerous, but differences among union leaders made a united front impossible. Since 1937, however, although intra-union differences have persisted, union recogni-

tion and collective bargaining have become stabilized with no more than the ordinary disputes at contract time rather than bloody battles against recognition.

One of the many interesting matters discussed by the author is the present status of the hiring hall. The hiring process has always been a problem in shipping with most of the crew signing on for one voyage only and with sailors wanting jobs often exceeding the number of openings. The union hiring hall was gradually recognized by employers and men as an orderly method for dealing with employment. Then came the Taft-Hartley Act which made such an institution illegal. How the parties have adapted themselves to this interference in their collective bargaining agreement is an interesting story.

Another problem which labor and management have met is how to give intermittent workers the fringe benefits of the American factory employee who works for the same company until retirement. The methods devised for vacation pay and pension plans have to a considerable extent decasualized the maritime industry. Furthermore, wages and other conditions now compare favorably with shoreside industry. Status for sailors has been obtained.

Dr. Goldberg has written a worthwhile book. As Professor Dunlop implies in his introduction, collective bargaining has to be studied in the light of the peculiar circumstances of the industry. This, the present author has done well.

Duke University FRANK T. DE VYVER

Labor Problems in the Industrialization of India. By Charles A. Myers. Cambridge, Mass.: Harvard University Press, 1958. Pp. xii, 297. $6.75.

Financed by the Ford Foundation, a group of American labor relations scholars from Princeton, California, Harvard, and M.I.T. have been supervising and conducting a series of studies concerning labor problems in underdeveloped countries. In this book Professor Myers of M.I.T. reports on his findings in India.

Indian labor problems must be studied in the context of a society struggling toward industrialization. The author, therefore, uses several chapters to describe and analyze the current Indian planning program and the industrial climate in which labor relations are developing. One of these interesting background chapters, for example, concerns the development of entrepreneurship and industry, and, among other things, describes the impact of religion and culture on this development. Another analyzes the labor force and what Clark Kerr and Abraham Siegel have called "the structuring of the labor force."

The author then describes the trade union movement with its paucity of true worker leadership and points out the close relationship between the economic and political interest of organized labor. In other chapters he tells of the response of management to union growth and how the two groups work out their problems at the plant level. The all-important role of government is then analyzed both with respect to protective legislation and to methods for maintaining industrial peace. Throughout, the innumerable dilemmas are discussed. To what extent, for example, should cost of living increases be allowed for industrial

workers in an economy in which all must struggle for industrialization? Or, in a nation with large numbers of unemployed or underemployed, to what extent should labor saving machinery be introduced to reduce costs to make possible export competition with modern Japanese factories?

Professor Myers in this excellent book has done three things. In the first place he has made available a good detailed picture of how industrial relations are conducted in India where, by democratic means, a nation is seeking rapid industrialization. Secondly, he has analyzed the problems of union-management-relationships in the context of economic development. As John Dunlop says in his introduction to the book, "There has been no analysis of the full range of labor-management-government problems that arise in the course of the industrialization process." The author has filled that need. Finally, he has written a management-consultant's report which Indian employers, unions, and government may use. The last chapter is full of advice which appears sound but, like so much advice from consultants, may not be followed.

The book's fifty pages of appendices include a number of interesting documents such as the labor sections of the two five-year plans and several collective bargaining agreements. There are also forty-eight pages of notes. Perhaps citations would not be missed at the bottom of a page of text, but many of the author's notes give added material, and a reader will find it hard to keep two places in the book, one for text and the other for notes a hundred or more pages further on. Such a system of notes may be all right for an historical novel but, good as it is, this book is not the type one picks up for light reading.

Material for this work was gathered not only from government reports and published and unpublished works of other scholars, but also from an extended series of interviews made by the author in the fall of 1954. These interviews, many of which are quoted, give a reality to the study which could not be expected if Professor Myers had depended only on published materials. His fine book is part of an ambitious project and all students of labor relations await further volumes from this group of scholars.

Duke University FRANK T. DE VYVER

NOTES

DEATHS

Alexander H. Erlick, lecturer in accounting at the University of Miami School of Business Administration, died in June, 1958.

Charles A. Williams, associate professor of transportation at Georgia State College of Business Administration, died on July 29, 1958.

APPOINTMENTS AND RESIGNATIONS

James Lee Ade has been appointed interim instructor in the Accounting Department, University of Florida.

Charles Allen has been appointed assistant professor of business administration at Mississippi Southern College.

Bob Amazon, former graduate assistant at Texas A & M College, has been appointed instructor in economics, College of Business Administration, University of Arkansas.

Keith C. Austin has been appointed interim instructor in the Accounting Department, University of Florida.

Brunswick A. Bagdon, regional director of the Bureau of Labor Statistics in Atlanta, served as advisor to the United States delegation attending the United Nations International Labor Organization Conference on Textiles held in Geneva, Switzerland, during April and May, 1958.

Eric N. Baklanoff, formerly of Ohio State University, has been appointed assistant professor of finance at Louisiana State University.

Richard Baltz, former economics instructor at Baylor University, has been appointed instructor in economics at the College of Business Administration, University of Arkansas.

Jose A. Baquero, professor of economics at the Catholic University, Ecuador, is a visiting Fulbright exchange professor for 1958–59 at Mississippi State University of Agriculture and Applied Science.

Norman Baxla, formerly of Ohio State University, has been appointed instructor in management and marketing at Louisiana State University.

Jerome Benson, instructor in the Department of Business Education at the University of Miami School of Business Administration, resigned in the summer of 1958 in order to continue his graduate work.

David Bickelhaupt, formerly a Huebner fellow at the University of Pennsylvania, has been appointed as assistant professor of insurance at Georgia State College of Business Administration.

Joseph A. Billings, head of the Department of Business Administration at the University of Corpus Christi, has been granted a leave of absence for 1958–59 in order to complete his program of graduate work at the University of Texas.

Arthur G. Billins has been appointed associate professor of economics at the University of Kansas City.

William Carl Biven, formerly research associate at the School of Business Administration, Emory University, has been appointed assistant professor of industrial management at the School of Industrial Management, Georgia Institute of Technology.

D. W. Blackburn, formerly head of the Department of Business, College of the Ozarks, is now head of the Department of Business Administration at Arkansas State Teachers College.

Jack Blicksilver has been promoted to associate professor of economics at Georgia State College of Business Administration.

Joseph Bonin, formerly of Louisiana State University, has been appointed assistant professor of economics at the College of Business Administration, University of Arkansas.

Annelle Bonner has been appointed instructor in business education at Mississippi Southern College.

Robert O. Boston, assistant professor in economics at Alabama Polytechnic Institute, has received a leave of absence for 1958–59 and will continue graduate work at the University of Alabama where he will hold a Southern Research Fellowship.

Stanley E. Boyle, formerly of the University of Wisconsin, has been appointed assistant professor of economics at Washington University.

C. J. Bradley has accepted appointment as part-time instructor in economics, Murray State College.

Jerry Berger, formerly of East Tennessee State College, is acting chairman of the Division of Business Administration at Little Rock University.

M. G. Bridenstine, professor of economics, has been named associate dean of the College of Business Administration, University of Arkansas.

Horace R. Brock has been granted a year's leave of absence from the School of Business Administration at North Texas State College.

Thomas Brock, instructor of marketing at Mississippi Southern College, has resigned to work on his Ph.D. at Louisiana State University.

James E. Brown, formerly with Michigan State University, has been appointed interim instructor in accounting, University of Florida.

Susan Brown has joined the Clemson College faculty as instructor in economics and government.

Richard W. Bryan, formerly at Louisiana Polytechnic Institute, has accepted a position at Athens College (Alabama).

Walter J. Buckingham, Jr., professor and head of the Department of Economics at Georgia Institute of Technology, presented a paper on "Economic Effects of Automation" to the International Association of Cybernetics meetings in Namur, Belgium on September 8, 1958.

John Buss, recently from the University of Heidelberg, has been appointed instructor in economics at Arkansas State College.

J. D. Butterworth, interim head of the Marketing Department, University of Florida, has been promoted to professor of marketing.

Carl Cabe, formerly of the University of Illinois, has accepted a position as associate professor of economics, University of Kentucky.

James L. Caldwell has been appointed assistant professor of industrial management at the School of Industrial Management, Georgia Institute of Technology.

Bill Beck Carpenter, formerly of the University of Tennessee, has been appointed instructor in marketing at Alabama Polytechnic Institute.

Stanley M. Carpenter has joined the faculty at Louisiana State University in New Orleans as an instructor of accounting. He was formerly at the University of Georgia.

John M. Champion has returned from a leave of absence to his position as assistant professor of management at Georgia State College of Business Administration.

James E. Chapman has been promoted to professor of management and chairman of the Department of Management at Georgia State College of Business Administration.

Edwin K. Clinkner, formerly on the economics staff at Presbyterian College, is now teaching at the University of Maryland.

J. Marshall Colcord, formerly instructor in accounting at the University of Miami School of Business Administration, is now teaching at East Tennessee State College.

Walter Cole, professor of accounting at the College of Business Administration, University of Arkansas, spent last summer setting up Condition of Wells data for transfer from manual operation to processing by 650 Electronic Machines for Carter Oil Company, Tulsa, Oklahoma.

Frank Coolsen, associate professor of marketing, has returned to the University of Kentucky after completing the work for the doctorate at the University of Illinois.

Walter P. Corrigan, of the University of Florida, has accepted a position as assistant professor of statistics in the Department of Economics and Business Administration at Alabama Polytechnic Institute.

Evabelle S. Covington retired September 1, 1958, after having served 32 years as head of the Department of Sociology and Economics at Salem College.

Albert R. Cox, formerly of Baylor University, has accepted an appointment as assistant professor of accounting at Los Angeles State College.

Eli P. Cox, a member of the staff of the School of Business Administration at North Texas State College since 1946, has resigned to become director of the Bureau of Business Research at Michigan State University.

Dale Cramer has been appointed associate professor of economics at the University of Alabama.

James F. Crawford has been promoted to associate professor of economics at Georgia State College of Business Administration.

Robert C. Culpepper joined the Wofford College faculty in September as assistant professor of business administration.

E. W. Cundiff has been appointed chairman of the Department of Marketing in the College of Business Administration, University of Texas.

Coldwell Daniel, III, who recently completed requirements for the Ph.D. at

the University of Virginia, has been appointed professor of economics and chairman of the Department of Economics at Mississippi Southern College.

Mack H. Davidson has been appointed instructor in economics at Johnson C. Smith University.

H. B. Davis, formerly head of the Economics Department at Benedick College, is now on the faculty of Shaw University.

Joan Dawson has been appointed instructor in the Commerce Department, Eastern State College (Kentucky).

Darrell DeLong is teaching in the Department of Business at the College of the Ozarks.

James DeLong, who has been assistant registrar at the University of Miami for the past five years, has resigned that position and accepted the position of associate professor of business education in the School of Business Administration.

Alfred M. Denton, Jr. has been appointed acting head of the Department of Sociology and Economics at Salem College.

Lincoln DeVillier has accepted a position as instructor of business administration at Tulane University in New Orleans.

Robert Dinman, of the Accounting Department, University of Florida, is on a one year leave of absence, and is with the Ford Foundation in economics and business administration at the University of Indonesia in Jakarta.

Don Doty, from private industry, has been appointed an instructor in economics at the College of Business Administration, University of Arkansas.

Charles Dougan has resigned as instructor in economics at Little Rock University to enter private business.

James Douthit, a recent University of Arkansas M.B.A., has been appointed instructor in business administration, Arkansas State College.

James Dunlap, former graduate assistant at the College of Business Administration, University of Arkansas, has been appointed instructor in economics at the same institution.

Miles D. Dunlap has retired from his position as associate professor of economics at Georgia State College of Business Administration.

Edgar S. Dunn, Jr., of the Economics Department, University of Florida, is on a one year leave of absence, and is employed by the Organization for European Economic Cooperation as an economic consultant at their international headquarters in Paris.

Walter Edwards has resigned as instructor in business administration at Arkansas State College to accept a position as city purchasing agent at Amarillo, Texas.

Elbert T. Eggers has been promoted to associate professor of management at Georgia State College of Business Administration.

Eugene Egnew has been appointed instructor in the Commerce Department, Eastern State College (Kentucky).

Carrol W. Ehlers has been promoted to chairman of the Marketing Department at Georgia State College of Business Administration.

Robert D. England has been appointed lecturer in business administration at the School of Business Administration, Emory University.

Frank Ferguson has been promoted to associate professor in secretarial science at Louisiana State University.

John C. Flynn has been appointed lecturer in business administration at Bellarmine College.

Edgar W. Francisco has been appointed instructor in industrial management at the School of Industrial Management, Georgia Institute of Technology.

C. B. Franklin has been appointed instructor in the Department of Economics, Florida State University.

John L. Fulmer has been appointed professor of industrial management at the School of Industrial Management, Georgia Institute of Technology.

Gerald Garb has been appointed assistant professor of economics at North Carolina State College.

James A. Gentry has been appointed lecturer in business administration at the School of Business Administration, Emory University.

Kenneth M. Gibson has been appointed instructor of accounting at Louisiana State University in New Orleans. He was formerly at Louisiana State University in Baton Rouge.

Robert I. Gilbert, professor of social studies at Mississippi State College for Women, has been promoted to head of the Department of Social Studies.

L. E. Glick, formerly with the Department of Market Research and Analysis, Industrial Safety Belt Company, Pittsburgh, has been appointed interim instructor in the Department of Economics, University of Florida.

Helen Glover has been appointed part-time instructor in accounting at the University of North Carolina.

John H. Goff has been appointed acting dean of the School of Business Administration, Emory University.

Howard Gordman has been promoted to professor of finance at Georgia State College of Business Administration.

W. A. Guinn, professor of business administration at the College of Business Administration, University of Arkansas, conducted a study of the operation of Arkansas domestic life insurance companies during the past summer.

Margaret Graves, formerly research assistant, Graduate School of Business Administration, Harvard University, has been appointed instructor in the Department of Economics, University of Florida.

Otha L. Gray has been promoted to associate professor of accounting at Georgia State College of Business Administration.

James E. Greene has been appointed professor and assistant director of guidance at Georgia State College of Business Administration.

Juanita C. Gregory, graduate of North Carolina College and Ohio State University, has joined the faculty of the Division of Commerce at Southern University in Baton Rouge.

Frances Haaislip, a 1956 graduate of Bob Jones' Business Education Department, joined the commerce faculty at Bob Jones University in September.

Bob E. Hall, former graduate assistant at the College of Business Administration, University of Arkansas, is an instructor in economics at the same institution.

Earl B. Halsall has joined the staff at Presbyterian College as assistant professor of political science and economics.

W. R. Hammond has been promoted to director of graduate studies and associate dean, Georgia State College of Business Administration.

Mark Hanna has accepted the position of assistant professor of economics in the Department of Economics and Business Administration at Alabama Polytechnic Institute.

Joe S. Hanes joined the Wofford College faculty in September as assistant professor of business administration.

Robert Hansen has resigned from the Department of Business Administration, Kentucky Wesleyan College.

Rector R. Hardin, formerly at the College of William and Mary, has been appointed professor of business administration and chairman of the Department of Business Administration at Mississippi Southern College.

H. Walter Hargreaves, professor of economics, University of Kentucky, is on sabbatical leave for the 1958–59 academic year.

Floyd S. Harper has been appointed professor of actuarial science at the Georgia State College of Business Administration.

Lincoln J. Harrison has been appointed director of the Division of Commerce at Southern University in Baton Rouge. He was formerly chairman of the Business Administration Department at Central State College in Ohio.

Paul G. Hastings has been named Fort Worth National Bank professor of finance at Texas Christian University. He will continue as director of the Bureau of Business Research.

Robert D. Hay, head of the Department of Management at the College of Business Administration, University of Arkansas, spent the past summer working on an oil refinery location study for the Carter Oil Co., Tulsa, Oklahoma.

Charles F. Haywood, formerly financial economist with the Bank of America in San Francisco, has been appointed professor of economics and banking at the University of Mississippi, filling the new chair of banking endowed by the Mississippi Banker's Association.

W. R. Heck has been appointed instructor in accounting at Louisiana State University.

James A. Hedrick, professor of accounting at Harding College, participated in a special program with the North Central Economic Association. He is a co-author of a new book in cost accounting published by Pitman, and his *Principles of Accounting* is to be published in December, 1958.

W. A. Heffelfinger, formerly assistant treasurer and controller at the University of Arkansas, is now assistant economist for the Bureau of Business and Economic Research, College of Business Administration, University of Arkansas.

Janet Hibbard has been appointed instructor, Department of Commerce, Eastern State College (Kentucky).

Donald W. Hill, recently with the Bell Telephone Market Research Department, has been appointed assistant professor of business administration at Rollins College.

Lewis E. Hill, formerly of Shorter College, is now associate professor of economics at Clemson College.

Werner Z. Hirsch, professor of economics at Washington University, is on leave of absence during the present academic year to serve with Resources for the Future in Washington, D. C.

B. J. Hodge has been appointed as an instructor in the College of Commerce at Louisiana State University.

Richard C. Hodgson has been appointed assistant professor of economics at Louisiana Polytechnic Institute. He was formerly at North Texas State College.

Richard S. Hoffman has been appointed instructor in accounting, Villa Madonna College.

Donald S. Holm has been promoted to professor of economics at the University of Missouri.

Roderick Holmes has returned to his teaching position at Baylor University after a period of study at the University of Washington.

Helen Howard has been promoted to associate professor and has been named chairman of the Department of Office Administration at Baylor University.

Donald W. Hudson has been appointed assistant professor of business law at the Georgia College of Business Administration.

Roy E. Hyde, former head of the Department of Social Sciences at Southeastern Louisiana College, is to devote full time to the position of dean of the Division of Liberal Arts at that institution.

L. I. Iversen has resigned from Louisiana Polytechnic Institute to accept a position at Wisconsin State College in Stevens Point.

Dilmus D. James, formerly of the University of Texas, has been appointed assistant professor of economics at Texas Western College.

Joseph B. James has resigned as professor and head of the Department of Social Studies at Mississippi State College for Women to become dean of Weslyan College (Georgia).

H. P. Jenkins, professor of economics at the College of Business Administration, University of Arkansas, attended the meetings of the Mont Pelerin Society at Princeton University last September.

Dell B. Johannesen, who has been teaching economics at North Carolina State College, has been appointed assistant professor of economics at the University of North Carolina. Dr. Johannesen has also been appointed assistant to the managing editor of the *Southern Economic Journal.*

Samuel Roland Jones has been appointed instructor in economics at Mississippi State University of Agriculture and Applied Science.

Paul E. Junk, formerly of the Federal Reserve Bank of Chicago, has been appointed assistant professor of economics at the University of Missouri.

A. D. H. Kaplan, formerly of The Brookings Institution, has been appointed visiting professor of economics at Rollins College.

Robert F. Kelley has accepted a position as instructor in marketing at Tulane University.

Martin L. King, assistant professor of marketing, has returned to the University of Kentucky after a year's leave.

Harold E. Klontz, of the Department of Economics and Business Administration at Alabama Polytechnic Institute, held the position of operational research officer at the Red River Arsenal of the United States Army Ordinance Corps at Texarkana, Texas, from June to September, 1958.

John Kreidle, former fellow at Ohio State University, has been appointed assistant professor of finance at the College of Business Administration, University of Arkansas.

Richard E. Lamping, instructor in accounting, Villa Madonna College, has resigned.

Earl Hanes Lawson, formerly instructor in business administration at Wofford College, has resigned.

Wayne A. Leeman, associate professor of economics at the University of Missouri, has returned to his teaching duties after a year's leave of absence during which he studied in the Near East.

Russell D. Leverette has been appointed instructor in industrial management at the School of Industrial Management, Georgia Institute of Technology.

Lee Lloyd has resigned his position as associate professor of business law at the University of Alabama to assume duties as trust officer at the First National Bank of Birmingham, Alabama.

Kidd E. Lockard has joined the faculty of Guilford College as associate professor of economics and business administration.

Charles R. Lockyer, assistant professor of economics, University of Kentucky Bureau of Business Research, has accepted an assignment as director of accounts and administrative services in the Kentucky Department of Highways.

George A. Long has resigned as lecturer in business administration at Bellarmine College.

H. Owen Long has been promoted to professor of economics and business and chairman, Department of Business and Economics, Kentucky Wesleyan College. He formerly served as registrar and dean of the College.

David J. Loschky has been appointed assistant professor of economics at Clemson College.

Stanley T. Lowry has accepted a position as assistant professor of economics at East Carolina College.

Jean Dancer Lunn has been appointed assistant professor of business education at the Georgia State College of Business Administration.

Gene C. Lynch has joined the staff of Texas Christian University as assistant professor of finance.

Edgar Leon McGowan, University of South Carolina, was promoted to associate professor of accounting.

Frances McManus is teaching secretarial science at the College of the Ozarks.

Paul McWhorter, formerly of Texas Technological College, has been ap-

pointed chairman of the Marketing Division, School of Business Administration, North Texas State College.

Hugh Macaulay has been promoted to professor of economics at Clemson College.

John L. Madden, formerly on the Agricultural Economics staff at Clemson College, is now instructor in economics at Presbyterian College.

C. F. Marsh, formerly dean of the College of William and Mary and now president of Wofford College, will also be a member of the Wofford College business administration staff.

W. E. Marshall, formerly at Memphis State College, has been appointed professor of social studies at Mississippi State College for Women.

C. F. Martin has been appointed instructor of economics at Louisiana State University.

David D. Martin, Washington University, has been granted a leave of absence to serve as visiting professor of economics at Indiana University.

N. A. Mavlankar, of Fergusson College, Poona, India, is visiting lecturer in the Department of Economics, Florida State University, for the fall term, 1958.

W. David Maxwell, formerly of the University of South Carolina, has accepted a position as associate professor of economics at Tulane University.

Albert D. Maynard has been appointed assistant professor of industrial management at the School of Industrial Management, Georgia Institute of Technology.

Catherine E. Miles has been promoted to professor and chairman of the Accounting Department, Georgia State College of Business Administration.

Robert E. Miller, formerly on the staff of the University of Southern California, was appointed assistant professor of economics at The Citadel.

William L. Miller, professor of economics at Alabama Polytechnic Institute, is lecturing during the 1958–59 school term at the University of Dacca in East Pakistan under a Fulbright grant.

Warren E. Moelier has resigned as assistant professor of industrial management at the School of Industrial Management, Georgia Institute of Technology, to accept a position at the University of Oklahoma.

Henry B. Moore, director of the Bureau of Business Research at the University of Alabama, has been granted an eighteen month leave of absence to establish a bureau of business research at the University of Rangoon, Burma, under a Ford Foundation grant.

William Morgan, a recent graduate of Harding College, has been appointed instructor in accounting at Harding College.

David Moseley has been appointed instructor in management at Mississippi State University of Agriculture and Applied Science.

Charles E. Myler, Jr. has returned to Loyola University of the South as an assistant professor of marketing after doing graduate work at the University of Indiana.

Warren B. Nation has resigned as professor of marketing and chairman of

the Department of Marketing at Mississippi Southern College to accept a position as professor of marketing at Florida State University.

Hale A. Newcomer, formerly of the University of Washington, has been appointed assistant professor of economics at the University of Missouri.

Carlton Page has accepted a position as instructor in business administration at Northeast Louisiana State College.

T. Hardie Park has been appointed assistant professor of economics at North Carolina State College.

V. W. Parker has accepted appointment to the Department of Business Administration, Murray State College.

William S. Patrick has been promoted to graduate counselor at Georgia State College of Business Administration.

Robert W. Patterson, head of the Bureau of Business and Economics Research, University of South Carolina, has been promoted to professor of economics.

Charles Peake has resigned as instructor in economics at Arkansas State College to engage in advanced study at the University of Tennessee.

Albert S. Perry has been appointed instructor of accounting at Louisiana State University.

Leroy J. Phaup, Jr. has become associate professor of insurance in the School of Business Administration, University of South Carolina, coming from studies with the Huebner Foundation, Wharton School of Finance, University of Pennsylvania.

Clinton A. Phillips, formerly of the University of Tennessee, has been appointed associate professor of business administration at Tulane University.

Olin S. Pugh, University of South Carolina, was promoted to associate professor of economics.

LeRoy L. Qualls is on a one year leave of absence from the Economics Department, University of Florida, in order to make special studies for the State Budget Department.

Harold A. Raasch has resigned as assistant professor of economics at Georgia State College of Business Administration.

James W. Reddoch has been promoted to associate professor in management and marketing at Louisiana State University.

John Reed has accepted a position at Southeastern Louisiana College as assistant professor in social sciences.

Wiley Rich, formerly of Sul Ross State College, has been appointed professor of business administration at Baylor University.

Jesse Richardson, former graduate assistant at Texas A & M College, has been appointed instructor in economics at the College of Business Administration, University of Arkansas.

Ronald G. Ridker has been promoted to assistant professor of economics at Washington University.

Merrill J. Roberts, acting head of the Economics Department, University of Florida, has resigned to accept a position with the University of Pittsburgh.

Ray C. Roberts has been appointed part-time instructor in economics at the University of North Carolina.

D. M. Robinson, assistant professor of management at the University of Arkansas, spent the past summer as teacher consultant in the communications improvement program of the New York Life Insurance Company in New York City.

Giuseppe M. Ferrero di Roccaferrera, lecturer in management at New York University, is now visiting assistant professor in the Management Department, University of Florida.

Sidney J. Romero has been appointed head of the Department of Social Sciences at Southeastern Louisiana College.

Robert W. Rosen, former director of economic research, Boston, Massachusetts, has been appointed interim assistant professor, Economics Department, University of Florida.

Alek A. Royental has rejoined the faculty of economics and business, Washington University, after a year's leave of absence studying in Europe on a Ford fellowship.

Warren J. Samuels has been appointed assistant professor of economics at Georgia State College of Business Administration.

Eugene C. Sanders, formerly teacher in the San Diego Unified District (California), has been appointed instructor in business at Mississippi State College for Women.

Henry Schoo has been appointed instructor in business administration, Bellarmine College.

Stuart Schwarzschild, formerly a Huebner fellow at the University of Pennsylvania, has been appointed assistant professor of insurance at Georgia State College of Business Administration.

Ned H. Scott, formerly with a public accounting firm, has been appointed part-time assistant professor in the Accounting Department, University of Florida.

Ezzedin M. Shamsedin, formerly on the faculty of Queens College, has become assistant professor of economics at the University of South Carolina.

C. Gordon Siefkin is on leave of absence from his duties as professor of economics and dean of the School of Business Administration, Emory University.

Donald L. Shawner has been promoted to professor of economics at the University of Missouri.

Jerry P. Simpson, formerly of the University of Oklahoma, has been appointed assistant professor of economics at Texas Christian University.

Alfred G. Smith, Jr. was promoted to head of the Department of Economics, University of South Carolina.

Houston D. Smith has been appointed assistant professor of accounting at Georgia State College of Business Administration.

Irvin Sobel is on leave of absence from Washington University to serve as visiting professor of economics at the University of Bologna, Italy.

Jared Sparks, Jr., formerly of the Economics Department at Purdue University, has been appointed associate professor of economics at the College of Business Administration, University of Arkansas.

Eldred C. Speck, formerly of McNeese State College, has been appointed assistant professor of accounting at the University of Miami School of Business Administration.

Darrell L. Spriggs, professor of economics at the College of Business Administration, University of Arkansas, spent the past summer making a survey of employee attitudes at representative Arkansas industrial concerns.

Richard E. Stanley, formerly with Economic Laboratories, St. Paul, Minnesota, has been appointed interim instructor, Economics Department, University of Florida.

Jack Starling, who has been doing graduate work at the University of Florida, has been appointed assistant professor of marketing at Mississippi Southern College.

Howard L. Steel, associate agricultural economist at Clemson College, is on leave doing graduate study at the University of Kentucky.

Martin Stegenga, acting chairman of the Department of Business Education at Mississippi Southern College, spent the fall quarter at Indiana University completing requirements for the Ph.D.

Richard L. A. Sterba has taken over the research program in connection with the nuclear energy program in the College of Engineering, University of Florida. He is on a one year leave of absence from the College of Business Administration.

Robert H. Stroup, professor of statistics, University of Kentucky, has been appointed assistant director of the Bureau of Business Research at the institution.

Francis Stubbs has been promoted to associate professor of economics at the University of Missouri.

Floyd Swann, instructor in the Management Department at the University of Miami School of Business Administration, has been granted a leave of absence to do graduate work at the Harvard Business School.

Donald F. Swanson has been appointed instructor in economics at Bellarmine College.

Glenn L. Taylor has returned to the staff of the School of Business Administration, North Texas State College, after having served as a Huebner Foundation fellow at the University of Pennsylvania.

W. J. Thomas, director of the Bureau of Business Research at Baylor University, has been promoted to a professorship.

Henry Thomassen has been appointed associate professor of economics at Georgia State College of Business Administration.

Charles M. Thompson, Jr. has been appointed to an assistant professorship in the School of Business Administration, North Texas State College.

Ralph B. Thompson, associate professor of marketing, University of Florida, was awarded a fellowship by the Ford Foundation for study at the Harvard Graduate School of Business for the summer of 1958.

Samuel Thompson has retired from his position as associate professor of industrial management at the School of Industrial Management, Georgia Institute of Technology.

William F. Thompson has been promoted to professor of accounting at School of Business, University of Louisville.

Richard Timberlake has been appointed assistant professor in the Department of Economics, Florida State University.

Robert Tobin has returned to the University of Miami as an instructor in the Department of Government which is contained within the School of Business Administration.

William C. Tuthill joined the faculty of the school of Business Administration, University of South Carolina, in September as professor of accounting, coming from the University of Illinois.

Gearge R. Von Tungeln has become assistant agricultural economist at Clemson College.

Claude Walker has been appointed professor of management in the University of Miami School of Business Administration.

John W. Weech has resigned from the Marketing Department, University of Florida.

Paul Weisand has been appointed assistant professor of business administration at Mississippi Southern College.

Burton A. Weisbrod has been promoted to assistant professor of economics at Washington University.

W. L. Roy Wellborne, chairman of the Division of Business Administration and the Social Sciences at Harding College, is one of the co-authors of *Public Finance*, published last August by Pitman.

Fred B. Wenn has retired from his position as professor of industrial management at the School of Industrial Management, Georgia Institute of Technology.

William F. Wessel has been appointed instructor in accounting and business administration at Loyola University of the South.

Leland C. Whetten has been promoted to professor of accounting at Georgia State College of Business Administration.

J. W. Whitney, a recent graduate of The Citadel, joined the faculty there in September as instructor in business administration.

Frederick Williams, formerly of the University of Illinois, has been appointed associate professor of business statistics at the University of Missouri.

Sherwin O. Williams, a recent Arkansas C.P.A., has been appointed associate professor of accounting at Ouachita College.

Henry B. Wilson is now associate professor of business administration at Mississippi Southern College.

Witten P. Windham has been appointed instructor in accounting at the University of North Carolina.

John Wittman, former graduate assistant at the College of Business Ad-

ministration, University of Arkansas, is now an instructor in economics at the same institution.

J. Harry Wood has taken a leave of absence for one year from his position as professor of finance at the University of Miami School of Business Administration. He recently accepted the position of president of Life Insurance Agency Management Association located in Hartford, Connecticut.

James H. Wykle has been promoted to assistant professor in business at Mississippi State College for Women.

Lucy Mae Yarnell, formerly of West Texas State College, has been named assistant professor of office administration at Texas Christian University.

P. B. Yeargan, formerly at the University of Alabama, has been appointed professor of accounting and chairman of the Department of Accounting at Mississippi Southern College.

Eli Zubay has been appointed associate professor of actuarial science at the Georgia State College of Business Administration.

NEW MEMBERS

The following names have been added to the membership of the Southern Economic Association:

Oury L. Selig, 117 Albacore, Galveston, Tex.

K. B. Bendetsen, Champion Paper & Fiber Company, Hamilton, O.

James F. Crawford, Georgia State College of Business Administration, Atlanta, Ga.

J. D. Butterworth, University of Florida, Gainesville, Fla.

Edward Lovengs, University of North Carolina, Chapel Hill, N. C.

Joseph P. McKenna, St. Louis University, St. Louis, Mo.

Karl M. Mayer, ACF Industries, Riverdale, Md.

Richard Lamar Rowan, University of North Carolina, Chapel Hill, N. C.

J. R. Williams, Florida Power Corporation, St. Petersburg, Fla.

W. T. Hill, Mississippi Power and Light Company, Jackson, Miss.

E. C. Walker, Sears, Roebuck and Company, Atlanta, Ga.

William P. Yohe, Duke University, Durham, N. C.

Philip Hammer, Hammer & Co. Associates, Atlanta, Ga.

Norman T. Ness, Anderson, Clayton & Company, Houston, Tex.

BOOKS RECEIVED

Adams, Randolph G. *Political Ideas of the American Revolution.* New York: Barnes & Noble, 1958. Pp. vii, 216. $3.75.

Anderson, Thomas J., Jr. *Our Competitive System and Public Policy.* Cincinnati, O.: South-Western Publishing Co., 1958. Pp. vi, 586. $6.75.

Aspectos Monetarios de las Economias Latinoamericanas, 1957. Mexico: Centro de Estudios Monetarios Latinamericanos, 1958, Pp. 251.

Aurner, Robert R. *Effective Communication in Business.* 4th ed. Cincinnati, O.: South-Western Publishing Co., 1958. Pp. xi, 644. $6.00.

Bouchard, Maurice. *Théorie Du Salaire et Conventions Collectives.* Montreal: Faculté des Sciences Sociales Economiques et Politiques, Université de Montréal, 1957. Pp. 329.

Bruehl, Lawrence. *The Death Blow to Communism.* New York: Vantage Press, 1958. Pp. 426. $5.00

Burns, Arthur F. *Prosperity Without Inflation.* Buffalo: Smith, Keynes & Marshall, 1958. Pp. viii, 88. Paper, $1.50.

Carter, Clyde C. *State Regulation of Commercial Motor Carriers in North Carolina.* Chapel Hill, N. C.: University of North Carolina Press, 1958. Pp. x, 210. $5.00.

Chand, Gyan. *The New Economy of China.* Bombay, India: Vora & Co., 1958. Pp. xiv, 429. Rs. 16/–.

Clairmonte, Frédéric. *Le Libéralisme Économique et les Pays Sous-Développés: Études Sur L'Évolution D'une Idée.* Geneve: Librairie E. Droz, 1958. Pp. 361. Paper, Fr. s. 30.

Cohen, Jerome B. and Hanson, Arthur W. *Personal Finance: Principles and Case Problems.* Rev. ed. Homewood, Ill.: Richard D. Irwin, 1958. Pp. xv, 819. $6.50.

Credit Research Foundation. *Credit Management Handbook.* Homewood, Ill.: Richard D. Irwin, 1958. Pp. xxiii, 776. $10.00.

Dauten, Carl A. and Welshans, Merle T. *Principles of Finance.* Cincinnati, O.: South-Western Publishing Co., 1958. Pp. xii, 596. $6.50.

Eckstein, Otto. *Water-Resource Development: The Economics of Project Evaluation.* Cambridge, Mass.: Harvard University Press, 1958. Pp. xiii, 300. $6.50.

Economic Research Department. *Fringe Benefits, 1957.* Washington, D. C.: Chamber of Commerce of the United States, 1958. Pp. 36. Paper, $1.00.

Ferber, Robert. *Employers' Forecasts of Manpower Requirements: A Case Study.* Urbana, Ill.: Bureau of Economic and Business Research, University of Illinois, 1958. Pp. 88. Paper, $1.50.

Fossati, Eraldo. *Elementi di Politica Economica Razionale.* Milan, Italy: Dott. A. Giuffré—Editore, 1958. Pp. XIII, 290. Paper, Lire 1500.

Grabill, Wilson H. and others. *The Fertility of American Women.* New York: John Wiley & Sons, 1958. Pp. xvi, 448. $9.50.

Haberler, Gottfried von. *Prosperity and Depression: A Theoretical Analysis of Cyclical Movement.* Rev. ed. Cambridge, Mass.: Harvard University Press, 1958. Pp. XVIII, 520. $6.00.

Hobbs, S. Huntington, Jr. *North Carolina: An Economic and Social Profile.* Chapel Hill, N. C.: University of North Carolina Press, 1958. Pp. xvii, 380. $6.00.

Houser, T. V. *The Cruelest Tax.* New York: Committee for Economic Development, 1958. Pp. 23. Paper, 50¢.

Hunt, Pearson and others. *Basic Business Finance: Text and Cases.* Homewood, Ill.: Richard D. Irwin, 1958. Pp. xv, 911. $7.00.

Kimura, Motokazu. *Conditions for Direct Taxation and Other Essays.* Tokyo, Japan: Science Council of Japan, 1958. Pp. 130.

Kyle, John H. *The Building of TVA: An Illustrated History.* Baton Rouge, La.: Louisiana State University Press, 1958. Pp. x, 162. $7.50.

Lester, Richard A. *As Unions Mature: An Analysis of the Evolution of American Unionism.* Princeton, N. J.: Princeton University Press, 1958. Pp. XI, 171. $3.75.

Levin, Harvey J. (ed.). *Business Organization and Public Policy: A Book of Readings.* New York: Rinehart & Company, 1958. Pp. xxi, 550. $7.00.

McKenna, Joseph P. *Intermediate Economic Theory.* New York: Henry Holt and Company, 1958. Pp. xiv, 319. $4.90.

Machlup, Fritz. *An Economic Review of the Patent System.* Study of the Subcommittee on Patents, Trademarks, and Copyrights of the Committee on the Judicary, United States Senate, 85th Cong., 2nd sess., pursuant to S. Res. 236. Washington: Government Printing Office, 1958. Pp. VI, 89. Paper, 25¢.

Magee, John H. *Life Insurance.* 3rd ed. Homewood, Ill.: Richard D. Irwin, 1958. Pp. XVII, 819. $6.95.

Majumdar, Tapas. *The Measurement of Utility.* New York: St. Martin's Press, 1958. Pp. xiv, 149. $3.00.

Mansergh, Nicholas and others. *Commonwealth Perspectives.* Durham, N. C.: Duke University Commonwealth-Studies Center, Duke University Press, 1958. Pp. viii, 214. $4.50.

Mayer, Kurt B. and Goldstein, Sidney. *Migration and Economic Development in Rhode Island.* Providence, R. I.: Brown University Press, 1958. Pp. vii, 64. Paper, $1.75.

Mikesell, Raymond F. and Behrman, Jack N. *Financing Free World Trade with the Sino-Soviet Bloc.* Princeton, N. J.: International Finance Section, Department of Economics and Sociology, Princeton University, 1958. Pp. viii, 109. Paper, 25¢.

Moore, Geoffrey H. *Measuring Recessions.* New York: National Bureau of Economic Research, 1958. Pp. 316. Paper, $1.00.

Morley, Felix (ed.). *Essays on Individuality.* Philadelphia, Pa.: University of Pennsylvania Press, 1958. Pp. 270. $5.00.

Musgrave, Richard A. and Peacock, Alan T. (eds.). *Classics in the Theory of Public Finance.* New York: Macmillan Company, 1958. Pp. xix, 244. $6.00.

National Bureau of Economic Research. *An Appraisal of the 1950 Census Income Data.* Princeton, N. J.: Princeton University Press, 1958. Pp. x, 450. $10.00.

National Manpower Council. *Work in the Lives of Married Women.* New York: Columbia University Press, 1958. Pp. xii, 220. $4.75.

O'Donnell, Maurice E. *Municipal Revenue Sources in Maryland.* College Park, Md.: Bureau of Governmental Research, University of Maryland, 1958. Pp. vi, 38. Paper, $1.00.

Okun, Bernard. *Trends in Birth Rates in the United States since 1870.* Baltimore, Md.: Johns Hopkins Press, 1958. Pp. 203, viii. Paper, $3.50.

Owens, Richard N. *Business Management and Public Policy.* Homewood, Ill.: Richard D. Irwin, 1958. Pp. xiv, 402. $6.50.

Quint, Howard H. *Profile in Black and White: A Frank Portrait of South Carolina.* Washington, D. C.: Public Affairs Press, 1958. Pp. vii, 214. $4.50.

Research and Policy Committee. *Defense Against Inflation: Policies for Price Stability in a Growing Economy.* New York: Committee for Economic Development, 1958. Pp. 96. Paper, $1.00.

Research and Policy Committee. *The Problem of National Security: Some Economic and Administrative Aspects.* New York: Committee for Economic Development, 1958. Pp. 58. Paper, 50¢.

Roberts, B. C. *National Wages Policy in War and Peace.* New York: Macmillan Company, 1958. Pp. 180. $3.50.

Robertson, Sir Dennis. *Lectures on Economic Principles.* Vol. II. New York: John De Graff, 1958. Pp. 162. $3.50.

Snider, Delbert A. *Introduction to International Economics.* Homewood, Ill.: Richard D. Irwin, 1958. Pp. xix, 598. $7.00.

Tang, Anthony M. *Economic Development in the Southern Piedmont, 1860–1950: Its Impact on Agriculture.* Chapel Hill, N. C.: University of North Carolina Press, 1958. Pp. x, 256. $6.00.

Tannenbaum, Arnold S. and Kahn, Robert L. *Participation in Union Locals.* Evanston, Ill.: Row, Peterson and Company, 1958. Pp. xii, 275. $5.50.

Teitelbaum, Perry D. *Nuclear Energy and the U.S. Fuel Economy, 1955–1980.* Washington, D. C.: National Planning Association, 1958. Pp. xii, 188. Paper, $3.00.

United Nations. *World Economic Survey, 1957.* New York: Columbia University Press, 1958. Pp. xv, 227. Paper, $2.50.

Vance, Lawrence L. *Theory and Technique of Cost Accounting.* Rev. ed. New York: Henry Holt and Company, 1958. Pp. xx, 536. $7.00.

Whitney, Simon N. *Antitrust Policies: American Experience in Twenty Industries.* New York: The Twentieth Century Fund, 1958. Vol. I, Pp. xxiii, 560. Vol. II, Pp. x, 541. $10.00.

Wiggins, James W. and Schoeck, Helmut (eds.). *Foreign Aid Reexamined: A Critical Appraisal.* Washington, D. C.: Public Affairs Press, 1958. Pp. ix, 250. $5.00.

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